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The new economic policy and organized labor

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The New Economic Policy and Organized Labor

por
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The New Economic Policy and Organized Labor*

by Carlos Machicado

1. Background

The severe deterioration of the Bolivian economy in the first half of the 1980s and the slow recovery afterwards have had direct and strong effects on the behavior of the labor market. The crisis of the early 1980s greatly damaged the work environment: there is evidence that much of the labor force was not employed in productive activities and, possibly, the distribution of income worsened. In addition to the resulting loss in welfare, the negative GDP growth rates caused the Bolivian productive structure and employment to become even more heterogeneous.

Adjustments in the Bolivian labor market have proceeded in different ways to those of the industrial and semi-industrial economies. Whereas in the latter adjustment generally takes place in the employment level, in the former there was mainly, but not only, a change in the composition of employment by sector of activity. Especially significant was the expansion of services and other components of the tertiary sector, as the unemployed were forced to turn to this sector for employment. Consequently, severe imbalances between and within the several economic sectors appeared.

During the first half of the 1980s the several governments alternated expansionary policies with stabilization policies. But, regardless of the policies followed, conditions significantly declined in sectors where high rates of unemployment and underemployment chronically prevail.

The international trend for economic liberalization reached Bolivia with Supreme Decree 21060 of August 29, 1985. According to this document, economic growth and welfare were to be promoted by opening the economy to foreign trade and investment.

* I wish to thank Juan Antonio Morales and Jerry Ladman for their very helpful comments and advice on earlier versions of the paper.

Additionally, it was believed that the government's sphere of influence should diminish, leaving greater decision-making power to the private sector. Furthermore, the public sector deficit had to be significantly reduced in order to curtail inflationary pressures.

It was on this line of thought that the New Economic Policy (NEP) was based. All the adjustment measures contained in the NEP had important consequences for labor. This paper focuses on the specific components of the NEP that affected the labor market. The centerpiece of the labor component was free contracting. The concept of free contracting is that private sector wages and employment levels are fixed by the labor market, rather than by government wage and employment regulation policies. The NEP's employment and wage policies are quite opposite of those applied in the past, when wages in both the public and private sectors were fixed by the government and there were job security measures. Free contracting, to which organized labor was strongly opposed in the past, marks a new stage in Bolivian labor relations and organizations.

2. Free Contraction and the Liberalization of the Labor Market

Free Contracting

Supreme Decree 21060 states, in its third chapter, that firms and entities, of both public and private sectors, can freely enter into or cancel labor contracts. Labor contracts need only to be in accordance with the General Labor Law. The General Labor Law was enacted in 1942. Between 1942 and 1985, both military and civilian governments made many amendments to the Law to improve job security and protect workers from dismissals. However, these measures introduced many rigidities to the labor market. Before the NEP, the legal and administrative obstacles as well as the costs of laying off unneeded workers were very high. For example, to safeguard jobs, the government prohibited individual and group dismissals without authorization from the Ministry of Labor. Furthermore, whereas the 1942 law allowed firms to employ workers on a three-month trial basis, during which time the workers could be dismissed with no liability on the part of their employers, some of the later amendments limited this prerogative. For instance, there were exemptions to the rule of the trial period for, inter alia, professionals, skilled laborers and tradesmen, workers who got a job through competitive examination, workers whose contracts were renewed, workers who performed specialized work, and short-term contractors. The exemptions from the trial period prevented employers to acquire more information about the fitness of their workers for the jobs for which they were applying, before making long-term commitments. Thus, employers could only release the new personnel at the cost of expensive compensations. Incomplete information increased the employer's risk of making wrong appointments, hence, they were more reluctant to hire personnel than otherwise. Many of these regulations were redundant at best, for example in the case of specialized workers, since training costs are high or at worst they had perverse effects, leading to an increase in the size of the informal sector. Also, employers found ways to avoid compliance with this legislation.

Before the NEP, the main concern of the government was to maintain not only current employment, but also to increase the number of new jobs. For example, firms were asked, although informally, to maintain minimum levels of both employment and wages in return for preferred treatment in the government's purchases of goods and services and, to a

lesser extent, in the government's protection against foreign competition.

Organized labor played a key role in setting wages, mostly through negotiations with the government. In general, unions and the government agreed upon a centralized policy of fixed wages, even for the private sector. In essence, the government played an intermediary role between labor and employers. The unions were able to exert pressure on the government, sometimes by militant means, to gain higher wages for their members. This was their strategy in the struggle for a greater share for labor in the distribution of national income. The government's middleman role in the labor market constituted an important source from which many determinants of other economic policies emanated.

Other Elements of Wage Policy

The NEP radically changed labor relations, especially the manner in which wages are determined. Supreme Decree 21060 expressly recognized the right of employers to *freely* hire and dismiss the workers, taking into account their productivity and the firms' demands for labor derived from their production plans. Also, the different bonuses which used to be added to the basic wage were consolidated with it. Note that prior to the promulgation of SD 21060, workers depending on sector of activity, enjoyed a myriad of bonuses. Each bonus was generally equivalent to a month's salary.¹ The consolidation of bonuses to the basic salary put wages on a more straightforward basis and has put an end to the very chaotic situation that prevailed, especially during the high inflation period of 1982-85.

The consolidation of wages allowed firms to smooth their expenditures on personnel over the year; this reduced their costs although in a minor way. More importantly, the reduction in uncertainty that came with the consolidation of bonuses was a means of increasing the productivity of labor -- a positive fact.

SD 21060 also suppressed wage indexation as a corollary to the application of the principle of freedom in contracting. About a year after the launching of SD 21060, the

¹ For instance, petroleum workers received seven bonuses, each equivalent to a month's salary, supplementing their regular pay of twelve months. Next to the Christmas and Independence Day bonuses that all Bolivian workers earned, the petroleum workers enjoyed a bonus for transportation expenses, a bonus for meals taken outside home, a bonus for school supplies of their children, and so on. Teachers similarly received five bonuses. In addition to these sector-specific bonuses, workers used to obtain compensation bonuses after every stabilization attempt during the hyperinflation. Note that these bonuses were not tied to productivity. An important point to add is that bonuses were almost fully exempted

government also decreed a reduction in the social security contributions of employers and employees. Almost all measures permitted firms to reduce the wage cost per unit of output.

The Politics of Wages and Employment

Labor market liberalization significantly reduced social and labor pressures on the government, freeing it from the task which previous governments had painfully borne. With liberalization, different relationships emerged, not only between workers and employers, but also between workers and the government. This policy placed the government in a less compromising and more comfortable position to monitor the labor situation. It should be stressed that the retrenchment from intervention in the labor market did not mean, however, that the government was devoid of power, since the authorities could still influence wages in two different ways. First, wages in the public sector, fixed in the national budget, are frequently used as guidelines for wage negotiations in the private sector. Second, wages in the private sector are indirectly influenced by the government through the workings of macroeconomic policy. Thus even though wages were not fixed directly by the government, its monetary policy, related to the stabilization program, was an important determinant.

Likewise, organized labor was not without influence. They continued to have bargaining power with the government in determining public-sector wages. For example, wages in the Bolivian State Petroleum Company (YPFB) surpassed the guidelines for wage increases set for the public sector. Similarly, teachers and public health workers were able to strike salary increases beyond the amounts initially fixed by the government.

Wages in the Economics of Firms

The NEP created a completely new environment for firms. For some, the NEP meant the loss of foreign exchange and credit subsidies as well as protection from foreign competition. In order to stay alive and regain competitiveness, firms had to cut costs, which primarily meant reductions in expenditures for labor. Indeed, all sources of information show that Bolivia's adjustment in business came about via reduction in labor costs. Women were more

from taxation.

affected by dismissals than men, due to the additional costs that they impose on firms because of paid maternity leaves and similar benefits.

Table 1
Indices of Wages and Import Prices (Base 1985.II = 100)

	Wages (1)	Import Prices (2)
1985.II	100.0	100.0
.111	217.2	235.5
.1V	343.5	327.9
1986.I	419.2	394.9
.11	517.9	427.3
.111	557.1	457.2
.1V	623.4	460.5
1987.I	736.7	472.2
.11	816.6	489.2
.111	905.2	504.6
.1V	980.5	522.8
1988.I	1050.6	544.7
.11	1188.0	586.0
.111	1205.2	621.0
.1V	1256.8	654.0
1989.I	1411.0	677.6
.11	1448.7	691.4
.111	1417.9	744.0
.1V	1444.8	788.4

Source and Notes: Col. (1). index of nominal wage derived from basic data from the Ministry of Planning, Unit or Policy Analysis (UDAPE). Estadísticas Económicas de Bolivia, July 1990. The value of June 1995 was multiplied by factor 15/13 to take into account bonuses that were added to basic wage. Those bonuses were consolidated to basic wage with SO 21000.

Col. (2), wholesale price index for imports derived from basic data of the Central Bank of Bolivia. The import index is taken as a proxy of the cost of material inputs.

The scarcity of foreign exchange is another factor that caused firms to cut labor costs. When the price of imports increased, firms compensated by reducing real wages or more likely by cutting back employment. The move to cut real wages, to accommodate hikes in the

prices of imported inputs, was noticeable immediately after the launching of SD 21060, as can be observed in Table 1. However, starting in the fourth quarter of 1985, wages increased significantly faster than import prices. In 1986-87 reductions in labor costs were obtained by decreases in employment, as can be seen by what happened in the formal manufacturing sector as shown in panel A of Table 2.

Employment

The Paz Estenssoro administration expected that in the medium and long term, employment would recover. The authors of the NEP were aware that its recessive nature would increase the unemployment rate, but this was thought to be a transitory phenomenon. Therefore, to cope with the transitory effects the government established a “relocation” benefit as a means of compensating unemployed laborers.²

In addition, an Emergency Social Fund (ESF) program was established to cope with the problems of transition and to soften the impact of the stabilization measures on the poor. The ESF ended in the first half of 1990 and has been superseded by the Social Investment Fund. The ESF was a financial institution that provided funds for community generated projects. Most of those projects were construction projects with a high labor content. The ESF gave rise to a very significant creation of temporary jobs. The ESF was financed mostly with donations from foreign governments under the auspices of the World Bank. According to a World Bank report as many as 24.5 thousand workers were working in the programs funded by the ESF by the end of 1988.³

According to conservative government estimates, in the three years after the NEP was launched the open unemployment rate jumped four points to around 11.5 percent; the rate declined to 10.2 percent in 1989.⁴ In 1986, unemployment actually declined from its level of

² The relocation benefit consisted of payments that employers made to their dismissed employees. This payment was equal to three month's salary, if it was paid at one time, or it was also established to favor all those workers who were dismissed after reaching a certain age and having fulfilled the requirements determined by the Social Security Laws. In effect, it extended the coverage of the law to make it more effective.

³ See World Bank, “Bolivia Country Economic Memorandum”, Report No 7645-BO, September 1989, (Washington DC: The World Bank), p. 82. The report indicates twenty-seven thousand workers, but then estimates that this is about ten percent too high, so that correcting for this yields the 24.5 thousand figure given in the text.

⁴ According to table ~ in Juan Antonio Morales in “Performance of the economy after price stabilization: Economic and Social Costs”, Universidad Católica Boliviana, Instituto de Investigaciones Socio-Económicas, DT 01/89 (processed). Morales' article in this volume, unemployment progressively increased in the aftermath of stabilization.

1985, but then suffered a jump in 1987. The figures on the decline of formal wage employment as a share of total employment in the same table are, probably, more illustrative of what happened in the labor market.⁵ The government reluctantly accepted the unemployment levels as a consequence of the anti-inflationary policy and the slow reactivation process.⁶

Table 2
Employment by Sector Indices

	Mining and Petroleum (1)	Commercial Agriculture (2)	Formal manufacturing sector (3)	Construc- tion (4)	Formal services (5)	Informal Urban Sector (6)	All Sectors (7)
A. Index (Base 1985=100)							
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	58.5	89.8	78.3	88.5	90.1	123.6	105.7
1987	42.6	124.8	78.3	88.5	92.1	125.6	107.2
1988	52.8	148.8	93.9	129.6	93.3	125.9	109.8
1989	54.3	196.7	102.3	255.1	96.0	129.3	115.4
B. Share relative to whole economy (Base 1985=100)							
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	55.4	85.0	74.0	83.7	85.3	116.9	100.0
1987	39.8	116.4	73.0	82.6	85.9	117.2	100.0
1988	48.1	135.6	85.5	118.1	85.0	114.7	100.0
1989	47.0	170.4	88.7	221.1	83.2	112.1	100.0

Source: Author's computation. based on data from the Ministry of Planning. Unit for Policy Analysis. (UDAPE), "Dossier Estadístico 1989." [Statistical Dossier, 1989].

Note.: Cal. (5), formal employment in the sector of electricity, gas, water, commerce, transport. Storage, communications, financial services, and other services.
Col. (7), includes all urban employment and commercial agriculture employment. Lin. 8. Evolution of char. of each sector relative to total employment. Total employment is as defined in preceding note on col. (7).

⁵ This point is also discussed by Juan Antonio Morales in "Performance of the economy after price stabilization: Economic and Social Costs".

⁶ Note, however, that there is considerable controversy on the unemployment, as well as on the wages figures.

It is not necessary to take into account the effects of the NEP on open unemployment, but also its impact on underemployment. Stabilization increased unemployment, even though the official government figures suggest the effect was minimal. Even if the number of employed did not substantially decline, there is no question that there were negative impacts through the proliferation of jobs with very low wages and uncertainty about the future. There was also disguised unemployment as many persons were underemployed. In other words, there was the change of the problem of employment to a problem of underemployment.

The numbers in Table 2 clearly illustrate the problem of underemployment and the changes in the composition of employment. In 1986, employment in the modern sectors of the economy (columns (1) to (5) in panel A of Table 2) declined while employment in the informal urban sector increased by 23.6 percent. In 1987, a strong recovery of employment in commercial agriculture occurred, that would continue throughout 1989. On the other hand, underemployment beside employment in the informal sector stabilized itself at levels between 25 and 30 percent higher than in 1985. As late as 1988, employment in the formal sectors, except commercial agriculture and construction, was still below the levels of 1985. The strong increase of employment in the construction sector is explained by the ESE projects and the resource transfer from the central government to the municipalities after the tax reform of 1986. Municipalities typically devoted their additional funds to construction.

Panel B in Table 2 informs us about the *significant* changes in the employment landscape by sector. Note the strong reduction in the number of miners, petroleum workers, and factory workers relative to total employment, that occurred between 1985 and 1989. Miners, petroleum workers, and factory workers are highly unionized, thus the decline of their share in total employment implied also a decline in the number of unionized workers in the Bolivian economy in the last thirty years. The rate was already high during the high inflation period, but rose during the stabilization period with deleterious impacts on per capita income and union power.

Wages

Column (7) in Table 3 shows some unexpected results of the evolution of wages in the private sector. Although the evidence is not completely conclusive, there are indications that real wages took a deep cut in the wake of the stabilization program.⁷ The erosion in the purchasing power of wages continued until the first quarter of 1986, when they recovered. By December 1986 real wages were slightly higher than in December 1985. Between 1987 and the first semester of 1989 real wages grew at a surprisingly rapid pace. Note, however, that this rapid growth seems to be inconsistent with the macroeconomic indicators. Even more to the point: employers have not complained about high real wages while workers continued to lament what they considered very low wages. The wages picture differs, of course, by sectors of employment. On the whole, wages in the services sectors have recovered faster than in the mining, manufacturing, and construction. Note the wage growth in mining significantly lags behind the growth of wages in the entire wage employment. Lack of data prevent a similar analysis of wages in the public sector. There is, however, some evidence that government wages significantly lag wages in the private sector. On the other hand, wages in the public enterprises have increased as fast or faster than in the private sector.

⁷ On this point, see e.g. Juan Antonio Morales, Precios, Salarios y Política Económica durante la Alta Inflación Boliviana de 1982-1985, (La Paz 1987: ILDIS).

Table 3

Mean Real Wage earnings in the Private Sector (Base 185.IV = 100) a

	Mining (1)	Manufac- turing (2)	Construc- tion (3)	Wholesale And Retail Trade (4)	Financial Establish- ments (5)	Other Services (6)	All Formal Wage Employment (7)
1985.IV	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986.1	73.7	85.0	83.8	115.2	98.3	126.3	92.8
.11	68.9	96.2	68.7	128.8	95.6	146.4	97.2
. III	71.5	98.8	122.0	136.8	93.2	190.3	100.7
. IV	86.7	109.3	119.0	132.9	93.1	176.2	103.7
1987.1	93.6	123.7	125.4	169.8	100.9	210.8	116.5
.11	82.2	134.8	147.1	155.9	116.2	216.7	125.3
. III	127.5	147.2	152.7	175.9	122.4	232.3	136.6
. IV	110.2	155.4	169.6	185.7	121.0	218.2	139.3
1988.1	113.3	162.7	187.7	195.4	158.0	237.1	159.1
.11	123.9	169.7	176.1	191.6	155.1	271.7	166.8
. III	133.2	162.3	179.9	185.5	172.9	249.4	165.0
. IV	130.5	164.0	187.0	174.1	172.3	250.3	164.4
1989.1	127.0	180.7	187.1	186.2	174.7	267.6	173.3
.11	139.9	184.5	203.7	190.3	173.2	287.7	187.7
. III	134.3	168.0	185.6	188.5	175.4	288.7	171.8
. IV	121.3	161.7	173.1	181.7	169.4	287.5	166.4

Source and notes: Author's computation based on data from the Ministry of Planning, Unit for Economic Policy Analysis.

(UDAPE). Estadísticas Económicas de Bolivia. July 1990.

^a Data at end-of-quarter, real wages are nominal wages deflated by the CPI.

4. Organized Labor's Reaction to the New Economic Policy

Free contracting, together with changes in the composition of the labor force, significantly changed the role of the unions in Bolivia. They were not eliminated, but their strength in negotiations with the government was sharply reduced. The transition has been painstaking.

Failure of the Labor Resistance to the NEP

When the NEP was launched the labor unions, even though they showed signs of sporadic resistance, had to give in. The Bolivian Workers Central's (COB) resistance to the NEP and free contracting was broken very easily. The Paz-Estenssoro government, unlike the previous administration, did not hesitate to arrest and confine in remote parts of the country the principal labor leaders for short periods of time, whenever it felt the NEP threatened by labor unrest, hunger strikes and marches in the streets. The first major confrontation came in September 1985, in the wake of the stabilization program, when the COB declared a general strike that was followed by a hunger strike of its leadership. The government immediately reacted with firm determination. The quick victory must be credited, not so much to the government's action but rather to the weakness of the labor movement, which had lost its credibility and strong leadership in the last two years of the Siles Zuazo administration.

When COMIBOL was restructured in early 1986, 21,100 jobs, out of 27,600 positions were eliminated. The miners organized a march to La Paz in August 1986. This "Marcha por la Vida" (March for Life) was stopped by the government near La Paz, a state of siege was declared, and their leaders were confined for fifteen days. In effect, the power of the Federation of Miners, traditionally Bolivia's strongest union, was almost totally dissipated.

The Weakness of the COB

After the joint failures of the 1985 general strike and of the 1986 March for Life, the COB tried to resist the NEP by other means, but to no avail. Organized labor's powerlessness can be explained by several factors.

First, as noted above, the COB had seen its power and credibility decline sharply in the last two years of the Siles Zuazo government. By that time, the common people were convinced that pressure by organized labor for higher wages had been a major cause of hyperinflation. Consequently, the COB lacked general support.⁸

Second, the COB did not have the decisive leaders that were capable of working effectively with the new government to make labor's case under the new conditions. Indeed, it appears that there may have evolved a tacit complicity between the labor leadership and the government, under which labor protested, but without really organizing a systematic opposition to the application of the NEP. Given the weakness of labor, it probably did not have any other alternative than to accept the NEP.

Third, the absence of political parties with strong popular appeal hurt labor. Support for these parties did not emerge, given the rapid success of the NEP in stopping inflation. The populace generally embraced the government's policies.

Fourth, the virtual demise of the Federation of Miners which had been the backbone of the COB, left the labor movement without its strongest and most militant union.

Labor's lost war against the NEP hampered the various union's struggles, at the level of business firms, to impede dismissals and cuts in real wages. Taken as a whole, organized labor was incapable of preventing the NEP from favoring the firms as they made adjustment through a reduction in their labor costs.

Labor solidarity was broken especially in the manufacturing industry, through firm-specific benefits. For many manufacturing firms, adjustment was carried out through voluntary retirement, using the incentives contained in Supreme Decree 21060 and by a system of extra legal severance payments. With the adjustment taking place at the firm level, the strength of the labor movement was further dissipated as union members faced the problems at the firm level rather than at the industry level, as it had been the case in the past. With the lack of success of organized labor in its struggles with the government, the members lost confidence in their unions, which in turn further weakened them.

⁸ In retrospect it appears that the COB's struggle favored more the right-wing opponents of Siles-Zuazo than the interests of the workers. Labor resistance during hyperinflation impeded the government's implementation of any stabilization measures. In fact, it is clear that it was labor's intention to prevent any solution to the economic chaos. Some very

With the exception of the miners, the dismissed workers were not able to organize federations. After the first impact caused by with the losses suffered by labor in the launching of Supreme Decree 21060, it was impossible for the workers to fight for their re-hiring. Furthermore, the unions inability to fight high unemployment discouraged union affiliates to maintain their membership.

Table 4
Strikes, Work Stoppages and Lost Days, 185-88

Year	1985	1986	1987	1988
a. Number of strikes and work stoppages				
Total	319	188	207	164
Agriculture	1	0	0	0
Mining	42	17	12	15
Hydrocarbons	9	4	12	5
Manufacturing	23	20	10	9
Construction	7	6	3	0
Electricity, gas and water	8	6	1	1
Transport and communications	29	11	13	10
Commerce	0	0	0	0
Banking and insurance	37	7	17	8
Services n.i.e	100	64	113	78
Civic committees	63	53	21	34
General Strikes	n.a.	n.a.	5	4
b. Days lost to strikes and work stoppages ^a				
Total	1625	897	1296	984
Agriculture	5	0	0	0
Mining	271	225	136	249
Hydrocarbons	29	13	103	38
Manufacturing	120	63	75	150
Construction	27	9	28	0
Electricity, gas and water	28	22	2	2
Transport and communications	161	46	44	54
Commerce	0	0	0	0
Banking and insurance	168	22	99	38
Services n.i.e	534	261	612	323
Civic committees	283	236	120	111
General Strikes	n.a.	n.a.	27	19

Source: Bolivian Ministry of Labor

Note: ^a Day lost are accumulated "sector-days"

important COB leaders, including Juan Lechín, were part of the political conspiracy, which together with the opposition

Strikes, the traditional weapon of unions, were mostly ineffective. The union leaders' calls to stop work were generally not followed by the rank and file, except by the COMIBOL and the teacher's unions. Militancy among factory workers was almost dead. In the services sector, the hitherto powerful union of bank clerks practically disappeared. Unionism among civil servants was nonexistent. Only teachers and health workers were able to sustain long strikes and obtain some limited concessions to their demands. As a symptom of powerlessness, unions resorted with increased frequency to hunger strikes instead of work strikes. But hunger strikes did not receive the sympathy nor the support of the general public. At best, hunger strikes led to negotiations with employers, often under the surveillance of bishops of the Catholic Church. However, the gains were limited and probably could have been obtained without that pressure. At worst, strikers had to go home with no gain at all and a deteriorated health. Hunger strikes were no longer a credible threat.

Table 4 gives an indication of strike activity from 1985 the last year of the hyperinflation through 1988. The numbers tell the story. There was a significant reduction in the number of strikes, work stoppages, and days lost to strikers after 1985. Among the sectors, mining and services were the most prone to strikes. The latter includes public education and public health workers, who were very active and vocal in expressing their dissatisfaction.

Relocation Revisited

The loss of jobs in the more organized sectors of the economy was indeed traumatic but many dismissed workers rapidly found work opportunities by organizing cooperatives or small workshops. However, workers in these organizations were not able to organize themselves in labor unions or in the other forms that usually take pressure groups.

In the case of mining, the lay-offs had a very special story. Workers were dismissed iii several steps. Before the dismissals themselves, Supreme Decree 21060 had eliminated the very generous commissary benefits and other perks that the workers of COMIBOL had enjoyed. This made these jobs less attractive. Consequently, the government expected a substantial number of voluntary retirements. Then COMIBOL's management offered extra-

political parties, formed a very solid resistance to Siles-Zuazo.

legal severance benefits to those workers that would retire voluntary. Simultaneously it announced that it could not guarantee employment in the coming months for those miners deciding to stay. About 10 thousand miners accepted the government's offer. In the second quarter of 1986, COMIBOL announced the need to retire more workers. The top executive of the Bolivian Federation of Miners (FSTMB), Simón Reyes, as well as Filemón Escóbar and other leaders, who had fought the dismissals using the support of the Bolivian Communist Party, were replaced by even more radical leftists, after the failure of the March for Life of August 1986. However, the new leadership, realizing that dismissals was a fact, changed their bargaining position to greater severance benefits in the voluntary retirements, instead of opposing lay-offs. So a second large group of 11 thousand left COMIBOL.

The laid-off miners tried to organize themselves with the aim to unify their struggle for more severance benefits. Their resistance was not very effective, although they gained some small additional severance compensations.

Many of the dismissed miners found work in cooperatives working in some of the COMIBOL mines -- those with very poor metal content in the ores -- that had been rented to them at nominal prices. Miners cooperatives, however, have become increasingly aggressive to the point of intruding in the properties kept by COMIBOL and also, in some private mines. Relocation has, by no means, solved the problems of COMIBOL.

High wages in the State Petroleum Company precluded strong militancy in its union, the Federation of Bolivian Petroleum Workers. There were numerous mild attempts to strike (See Table 1), generally localized in specific oil fields, but they were rapidly controlled by the government between 1986-1989. These strikes were mostly protests against dismissals. The YPFB union never participated in the general strikes called by the COB.

In the case of civil servants, the initial policy of dismissals was changed to policy of shift of personnel. While some workers were fired others were hired. In fact, it can be said that the dismissals were more due to political patronage rather than to budgetary reasons.

Changes in the Union Leadership

The traditional COB leadership could not withstand such traumatic changes. The long-time traditional leader, Juan Lechín, lost his post to Simón Reyes, the head of FSTMB, in 1987.⁹ Reyes, a prominent representative of the Communist Party, was unable to rejuvenate the COB and in the election held in 1989 was replaced by the less radical Víctor López.

The fall of Lechín can be explained by his own contradictory attitudes. On the one hand, he had to maintain a strong position pushing for the demands of labor, but on the other hand, it seems that he believed that the only way out to the crisis was a program such as the NEP. In any case, during 1982-1985 his personal hostility to Siles Zuazo interfered and he would not support the president's stabilization efforts. Later, he thought Paz Estenssoro, being a better administrator, should be granted the breathing space that had been denied to Siles-Zuazo. Nevertheless, while privately supporting Paz Estenssoro, he could not go to the point of publicly approving him. Over his thirty year-reign, Lechín had made many political enemies inside the labor movement, who were only happy to see him go. His blind opposition to Siles Zuazo had eroded the confidence of the workers on his judgment. Reyes had to fight on two fronts: an external one against the NEP and an internal one against the old Lechinist guard.

The simultaneous occurrence of the weakening of the labor movement, the demise of Marxist ideology, and the changes in the international environment posed formidable challenges to the labor leaders. It was almost impossible to survive under these circumstances. It is almost certain that the dinosaurs in the labor movement, unable to adapt themselves to a completely new environment, will be superseded by a new species but this will take time.

⁹ Juan Lechín resigned also to his leadership of the Federation of Mine Workers in 1986. Since his resignations from the Federation and the COB he has become adviser, together with Filemón Escobar, to the Association of Coca Growers, which has been organized to try to protect the interests of these farmers in the coca-growing regions against government policies, that would seriously control coca production and endanger the farmers' economic situation.

5. Concluding Remarks

Labor relations and the labor market have suffered deep changes with the application of the NEP. These changes are probably the most important since the political irruption of labor unions as a result of the of the National Revolution of 1952. At no time since 1952, not even during the military dictatorships, have the labor leaders had to face such huge challenges as those posed by the NEP. The labor market liberalization has not only changed the rapport between the workers and the employers, but also between the workers and the government. The fact that free contracting transferred the direct handling of the wage problem to the private sector needs to be underscored. This transfer has been a crucial factor for the government because it alleviated the need for negotiations with labor except in the public sector. In contrast, the previous governments mortgaged their capacities to design other economic policies because of their need to come to agreement with labor, which often meant sacrificing other badly needed policy measures.

It should not be forgotten that the unions' influence in the Bolivian economy was very strong until very recently. In the early 1980s, the COB was one of the most powerful labor organizations in Latin America. The NEP has changed the balance of forces between the COB, the private business sector, and government.

The fall in formal wage employment was the most visible cost of the stabilization program in the NEP. On the other hand, at least in the private sector, real wages after an initial strong fall following SD 21060 experienced a very healthy recovery. Free contracting greatly facilitated the applications of the stabilization program, and, thus, is perceived by the workers as a concurrent factor in the unemployment problem. Once stabilization was attained, unemployment became the single most important issue in the Bolivian society. Yet, the possibilities of creating permanent, productive, jobs are not certain because of the slow rate of growth of the economy. Given this, the main concern for the near future is the resumption of economic growth. The successful resolution of the social problems would and continues to depend on the attainment of this goal.

But even if there is some economic growth in the near future, the government's policy will be one of trying to maintain the cost of labor in the production process in line with other prices. The tight external situation will especially induce this type of policy.

Bolivia's competitiveness in both domestic and external markets will depend very much upon reasonable labor costs. The question is: can the current wage situation be maintained in the future considering the political events that could strongly influence the organization of labor and the role that the unions and the COB play.

The labor movement could not be effective in changing the course of the NEP. The absence of political backing to the COB with the demise of the left, plus changes in the composition of the labor force favoring employment in sectors where unionization was difficult, created conditions that seriously limited labor's power. Labor had to comfort itself with a few sectorial wage gains, but without affecting the structure of the NEP itself.

Labor's powerlessness prevents a stable situation. Although it can be expected that the unions will continue to have less strength than in the past, political events based partly on labor's dissatisfaction with the economic situation, could turn things around. Thus, the central dilemma in labor relations is between the need to alleviate the conflict between unsatisfactory real wages and greater employment and competitiveness. This conflict could be lessened through increases in productivity, especially in those sectors which produce exportable goods. However, this requires more agreement than what has prevailed until now, between the workers, the employers, and government. This may call for a rejuvenated and reformed -- from within -- labor movement. These themes are beyond the purpose of this chapter, but they are essential to the solution.