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**The Lack of a Job Quality Policy in Mexico City: the Case of the
Service Sector**

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Abstract:

The goal of this study is to understand why Mexico City, despite a strong service sector economy and a PRD government with a leftist discourse, does not have a policy to address the lack of quality employment in the city. The study carries out a case study of Mexico City, a global city in a developing country, in two parts, first looking at its policy-making process as related to labor and employment policy, and then looking at how this process plays out in one segment of the service sector, the janitorial industry. To examine the case, the new political economy approach was used, looking at the major players, institutions and arenas for policy-making, drawing upon available research, interviews and secondary sources. The study finds that the lack of a policy to improve job quality in the service sector is due to a lack of social actors and unions demanding such a policy, weak institutionality of the policy process and a lack of public orientedness of the major policy players.

Key Words: Mexico City, service sector, policy-making process, unions, janitorial industry, job quality, labor policy, PRD

Resumen:

El objetivo de este estudio es comprender por qué la Ciudad de México, a pesar de contar con una fuerte economía en el sector de servicios y un gobierno de izquierda, no tiene una política para hacer frente a la falta de empleo de calidad en la ciudad. La investigación se basa en el estudio de caso de la Ciudad de México, una ciudad global en un país en desarrollo. Se divide en dos partes, primero analizando el proceso de formulación de políticas públicas en materia laboral, y luego observando cómo este proceso se desarrolla en un segmento del sector servicios, la industria de la limpieza. Para examinar el caso, se utilizó el enfoque de la nueva economía política, mirando a los jugadores más importantes, las instituciones y arenas para la formulación de políticas, basándose en la investigación disponible, entrevistas y fuentes secundarias. El estudio revela que la falta de una política para mejorar la calidad del empleo en el sector servicios se debe a la falta de actores sociales y sindicatos que exigen una política de este tipo, débil institucionalidad del proceso de la política y la falta de una orientación pública en las motivaciones de los principales jugadores.

Palabras Claves: Ciudad de México, el sector de servicios, proceso de formulación de políticas, los sindicatos, la industria de limpieza, la calidad del empleo, la política laboral, PRD

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Chapter 1

1. Introduction

The massive urban area known as Mexico City offers an opportunity to examine what a local urban government may do to create good quality employment in the face of structural, political and economic challenges, as well as to examine the policy-making processes that may or may not allow a government to explore those options. Mexico's Federal District, or Mexico City proper, has about 8.7 million inhabitants and when taken with the 41 adjacent municipalities of the states of Mexico and Hidalgo, becomes the Mexico City Metropolitan Area, or Greater Mexico City, with an estimated population of 20 million, making it the largest metropolitan area in North America. As one of the world's largest metropolitan areas, well-inserted into the global economy, Mexico City outwardly appears to have the necessary elements to develop public policies aimed at creating good jobs - promising economic growth statistics, a local Administration which campaigned on progressive causes, and – within limits - the jurisdictional capacity to address labor and employment in the city's thriving service sector.

Economically, greater Mexico City had a gross domestic product (GDP) of US\$411 billion in 2011, making it one of the world's richest metropolitan areas (Brookings, 2012). It accounted for 34% of Mexico's GDP in 2011 (the Federal District alone made up 17.8% of the national GDP), and if it were an independent country, Mexico City would be roughly the 30th largest economy in the world (Emporis, 2013). The economic growth of the city is largely driven by its growing service sector. According to data from INEGI in 2011, the service sector is a tremendous 87% of the city's GDP (INEGI, 2011). The local Secretary of Economic Development, SEDECO¹, reports that Mexico City's economic performance has outpaced that of Mexico as a nation in 2013, contributing 12% of the nation's new production. Of that, much of the economic activity has come from areas of the service sector with the potential to generate

¹ Throughout this study, while the names of offices and organizations are given in English to be consistent with the text, the acronyms for their Spanish names are used.

high-wage, decent work, such as finance and business services which were 34% and 13% of the city's GDP, respectively (SEDECO, 2013).

Politically, in addition to these potentially positive economic fundamentals, Mexico City has been governed by the left-leaning Party of the Democratic Revolution (PRD) since 1997. As a party which has campaigned on political participation, democracy and a rejection of neo-liberal policies, the PRD's rise to local power carried with it expectations for improved employment policies and greater economic opportunities for the poor majority. Given that Mexico City is not fully autonomous from the national government, and that the national government has been controlled by opposing political parties, it is not surprising that the PRD administration has faced real limitations at a local level in implementing policy changes. However, in matters of employment policy, particularly in the service sector, the city does have the responsibility to ensure that federal labor laws are enforced and as a large local employer, the ability to determine the labor conditions in settings where the city is the employer or client.

Nonetheless, after 16 years with the PRD in power and despite a thriving service sector-driven economy, in reality good jobs are in scarce supply according to opinion polls (*¿Como Vamos, Ciudad de Mexico?*, 2014), and much of the city's workforce is in informal or precarious employment (INEGI, 2012). In this study, we will examine how the particularities of the policy-making process in the city mean that Mexico City has not developed credible employment quality policies, and as a result, sufficient quality employment.

This thesis will be organized in the following manner. In this chapter we will identify the public problem as the lack of quality employment in the service sector in Mexico City and discuss its multiple causes, and plant the research question: Given the range of actions available to a local government, as a) a sizable client/consumer of services and b) a regulator; why has Mexico City failed to develop a policy to promote good quality jobs in the service sector? In the next chapter of the thesis, we will develop a theoretical framework rooted strongly in the new political economy ideas of the Inter-American Development bank and other current policy analysts, as well as lay out the methodology of the study, including the hypothesis, variables and the case study to be utilized. In Chapter 3, we will introduce the case study, which is that of Mexico City and

its decision-making processes in the context of labor and employment policy, and our three dependent variables – independent unions, the degree of institutionalization in the policy-making process and the dominance of private interests in developing policy. In Chapter 4, we will continue the case study by examining more closely one segment of the service sector in Mexico City – the janitorial industry – and seeing how the political game plays out in this one market, affecting the policy-making process and by extension, job quality, in this industry. In Chapter 5 we will return to our hypothesis and variables and examine how the political game affects the decision to have a credible policy for job quality in the service sector in the city and finally, offer conclusions.

2. The Public Problem: Poor job quality in the service sector in Mexico City

2.1 Description and scope

Despite a growing service sector, its emergence as a global services city, and the opportunities that these circumstances could present, Mexico City is not generating sufficient good quality employment. In Mexico City, between the 1970s and the 1990s, the most important sector of the city's economy changed from being trade and manufacturing, to the service sector, which as noted, now accounts for 87% of the city's GDP. While the service sector encompasses a broad range of employment conditions, overall this change occurred at the expense of employment and social standards. Real wages declined dramatically while informal employment increased. Manufacturing, which previously provided more than 50% of formal employment in Mexico City, employed only 16% of the workforce in 2011 (INEGI, 2011). Meanwhile, 80% of the workforce is in the tertiary sector, largely services, and this shift in sectors has been accompanied by a drop in levels of formal sector employment. There are segments of the service sector made up of higher-wage, skilled employment such as in the financial or real estate sectors, but this study will focus on the large segment of service sector work which is low-wage, unskilled employment.

Some preliminary data on the janitorial sector alone in Mexico City gives us a sense of the scope of the regional problem. In the cleaning industry, there are approximately 500,000 cleaners working for formally registered cleaning companies (this

does not include small, informal family- or micro-firms). Janitorial workers in Mexico City are subcontracted, working for cleaning contractors who are hired by clients in the private or public sector. While subcontracted or outsourced work is not necessarily precarious or informal employment, in this case the wages and working conditions of cleaners across the city do not meet the basic criteria of decent employment, with job quality being measurably worse in the segment of the market in worksites managed by the city government.

The industry overall is marked by very low wages, by high turnover and an absence of health and other benefits. In 2009, a survey conducted by civil society organizations with over 550 janitors in the private sector, in high-end office space in the city revealed that the National Labor Law (LFT), is frequently violated². The survey found that only 8% of cleaning companies consistently comply with the LFT, while 97% of contractors do not register all of their employees with the Mexican health and benefits system (IMSS). Nearly all employees work without protective gear and workplace accidents generally result in dismissal rather than medical attention. The range of wages fell between \$1300 and \$1400 pesos (US\$100 -108) per fortnight, although many workers reported that they are frequently required to work hours longer than their established shift, or to work an additional full shift without extra pay, while others report short paychecks. As a result, it is possible for some workers to not earn the minimum wage of \$67.29 pesos (US\$5.19)/day.

Within Mexico City buildings, the employment conditions of sub-contracted janitors are no better than in the private sector, and are by some measures worse. In 2011, the civil society organization PODER surveyed 232 janitors in 41 agencies of the city's government, working for 27 cleaning companies³. They found that overall, 62.5% of the employees were not registered in the IMSS health and benefits system, while only 18% were certain that they were enrolled. Within the Metro and Metrobus system alone, excluding Mexico City's executive branch and agencies, the number of workers affiliated

² Data from surveys applied by the Foundation for Union Education (FUPES), in work commissioned by the Service Employees International Union (SEIU), as well as data from recent cases documented in city government buildings.

³ For a complete breakdown, see PODER: "Irresponsible Contracting, IMSS evasion and denial of benefits in Mexico City government buildings," April 2011.

to IMSS falls to 9.9%, with 81.7% not affiliated. As well, the majority of workers did not receive other legally mandated benefits, such as sick days, vacation days or holiday bonuses, and in fact several workers reported having two or three days' pay withheld for each day missed due to illness. Wages in Mexico City cleaning contracts are notably lower than in the private sector, averaging \$1120 pesos per (US\$86.46) fortnight, and several workers had difficulties with late or missing paychecks. Contracts for cleaning services in Mexico City change often, as a result workers report that it is a common practice for the outgoing contractor to skip the last paycheck and dissolve the company, leaving workers little option but to start as new employees with the new contractor and few legal channels to pursue the missing paycheck.

In worker interviews in city buildings, there were numerous stories of injuries, particularly of workers with back injuries from falls and incidents of workers using hazardous materials without protection. In addition, those conducting the surveys noted that most employees were elderly, appearing to be well past retirement age. One worker interviewed was 88 years old (PODER, 2011).

Some excerpts from the interviews with workers provide a clearer image of the working conditions for janitors in Mexico City's buildings:

Two female workers in the STyFE offices (PODER 2011): The women had worked in the building for 4 and 5 years with Licom, but the contract recently switched to Fumisa. Currently, it takes them both 2 hours to get to work in the morning and 2.5 hours to return. The new company is supposed to provide IMSS, the workers have discussed it with a supervisor but do not yet have it. With Fumisa they earn \$1150 a fortnight, 50 pesos less than they earned with Licom. They have not had a wage increase in 5 years.

Male worker, Metro Line B (PODER 2011): He is 88 years old. He earns \$1090 per fortnight, without IMSS from his job, though he does get it as a retiree. He is assigned to clean floor-to-ceiling windows along a walkway between two trains and has trouble navigating the stairs to reach it, he is very afraid of falling and becoming disabled. He works 6 days a week, his day off is Tuesday and he is not allowed to take holidays.

Angela Olvera, spoke at a public forum at the ALDF on November 4th, 2013: She is 72 years old and has worked over 15 years in GDF buildings, including the DF Supreme Court and the ALDF building. She described how the cleaning contractors changed yearly and sometimes more often, although the company owners rarely changed, just the company name on her paychecks. As a result, she has not accumulated seniority. She has occasionally been registered in IMSS for short periods of time, but never more than a few months. She has only once received the legally required *aguinaldo* (year end bonus), for the amount of one weeks' salary.

In terms of quality of employment, we can set these conditions against the framework of decent work indicators laid out by the International Labor Organization (ILO). The framework includes ten indicators, of which eight will help us measure the quality of work found by these surveys in the cleaning industry in both the public and private sectors:

1. Adequate earnings
2. Decent working time
3. Combining work, family and personal life
4. Stability and security of work
5. Equal opportunity and treatment in employment
6. Safe work environment
7. Social security
8. Social dialogue, employers' and workers' representation

Fig. 1: Decent Work Measurements for public and private sector janitors in Mexico City based on wage and hour surveys with workers.

<u>Indicator</u>	<u>Private Sector</u>	<u>Public Sector</u>
Adequate earnings	Low: range of \$1300-1400 pesos/fortnight. Many years without salary increases.	Very Low: range of \$876-1300 pesos/fortnight; frequent cases of late or missing paychecks, especially when contractors turnover. Many years without salary increases.
Combining work, family and personal life	Poor: Pattern of obligatory, unexpected and unpaid overtime, including double shifts.	Very Poor: High number of elderly workers who are past retirement age, working during the years they should be with family. Lack of sick days, holidays, vacations. Reprisals for any missed days of work.
Decent working time	Poor: Pattern of obligatory and unpaid overtime, including double shifts.	Poor: Pattern of obligatory and unpaid overtime.
Stability and security of work	Unstable and insecure: High rates of worker turnover; clients may change contractors with little notice.	Very unstable and insecure: High rates of worker turnover; contractors frequently change their legal registration; city agencies frequently change contractors.

Equal opportunity and treatment in employment	Poor: cases of sexual harassment; discrimination based on gender or appearance, poor and degrading treatment in general	Very Poor: cases of sexual harassment; poor and degrading treatment of a workforce with a high percentage of elderly workers.
Safe work environment	Poor: lack of protective gear and training, hazardous substances and accidents.	Poor: lack of protective gear and training, hazardous substances and accidents.
Social security	Poor: many workers not enrolled in IMSS or are enrolled incorrectly or irregularly.	Very Poor: an estimated 62.5% of employees report that they are not registered in the national health and social security system (IMSS). High contractor turnover impedes access to IMSS.
Social dialogue, employers' and workers' representation	Poor: Unions in the janitorial industry are employer protection contract unions, virtually unknown to workers.	Very poor: Unions in the janitorial industry are protection contract unions, virtually unknown to workers; Employers are likely to be fly-by-night companies which frequently change legal registrations to evade fiscal and legal obligations.

Source: Own elaboration based upon (Lekuona, 2010) (PODER, 2011) and planning documents from FUPES.

As such, the cleaning industry presents us with a particularly clear example of how the city's labor and employment policy fail to promote the creation of quality jobs in the service sector, even in an industry in a healthy segment of the economy, even when the city itself is the client for the services provided. While a dramatic example, it is also illustrative of the pattern in service sector employment across the city and indeed, nationally. Among low-wage, low-skill service sector workplaces, such as in retail, wages and working conditions are similarly poor. For example, workers at Walmart, at times the nation's largest private sector employer, wages are similar to those of the janitors, averaging between \$1400-1500 per fortnight (PRODESC, 2008). In the retail

industry overall, about 10% do not receive a salary at all, working for tips (Tilly & Galván, 2006). In higher wage segments of the service sector, such as the financial sector, workers may receive higher wages but experience similar levels of precariousness. For example, in 2007, the national financial chain BBVA-Bancomer notified all employees they would be transferred to a new company called *Operadora Bancomer*, without employment contracts and with a payment structure based upon bonuses and incentives rather than a base salary. Workers also lost elements of their health insurance and pensions plans (Dean, 2011). Finally, other segments of the city's public sector, including among direct employees, professional employees are hired on short term, repeating contracts rather than as permanent employees, without being registered in the IMSS system and without other legally mandated benefits (Duran & Galhardi, 2013).(C.R. Espejel, personal communication, March 4, 2014)

Today, 60% of the Mexican workforce is outside the formal sphere, meaning they are excluded from the social welfare and benefits system (INEGI, 2012). In Mexico City it is officially reported that 50.7% of the workforce is informal (SEDECO, 2013), and 10.4% of the economically active population works in critical conditions, INEGI's term for employment with insufficient hours or pay or which is otherwise inadequate (SEDECO, 2013). In short, policy gaps in the city's oversight of labor law enforcement in the service sector and its own contracting have allowed precarious, informal and poor quality employment in the sector to expand without effective governmental intervention.

2.2 Poor job quality in the service sector as a public issue

The matter of precarious and informal employment in Mexico has been a topic of concern for international institutions and the Mexican government itself for decades, as it is recognized that Mexico holds tremendous potential for growth, yet elements of its labor market and employment quality act as a drag on economic development. (Hanson G. H., 2012) (OECD, 2012). In Mexico City in particular, despite the fact that much of the recent growth in the service sector, including higher wage segments of the service sector, is centered in the metropolitan area, still the problem of informal and poor quality employment is notable for its persistence.

The World Bank describes the informal economy in particular as a phenomenon which may generate income for some unemployed workers and may allow workers or companies to increase their earnings by avoiding certain taxes (World Bank, 2013). However, the overall consequences are largely negative, the most important being 1) poverty and income insecurity, 2) a negative impact on productivity and economic growth and 3) lost tax revenue.

Poverty and Income Insecurity: The increase in informal labor means that a growing number of workers and their families are not covered by basic social services, such as health care and pensions. The existence of such a large sector of the population unprotected from an unexpected shock or misfortune is problematic for an economy in development (García-Verdu, 2007). Moreover, as a large part of the informal sector is either elderly or young workers (Perry & Maloney, 2007), there is a structural risk to these population segments.

Productivity and Economic Growth: Rigid labor segmentation, the difficulty in moving between the informal and formal labor markets, is associated with issues of productivity, which Perry refers to as “vicious or virtuous cycles” (Perry & Maloney, 2007). For example, workers without access to health services or social protections tend simply to be less productive and also feel less motivation to invest in their own training or education. As well, firms on the border of formality, with low labor costs, have few incentives to invest in worker training or to acquire new production technologies, opting to compensate with a larger but less productive workforce. As well, an increase in formality is correlated with an increase in survival rates for small companies, as formalized companies tend to seek and reach their optimal size, allowing them to make needed investments in technology, access credit, and reach larger and more stable markets. (Maloney, 2004).

Lost Tax Revenue: Having over half the labor force outside the formal sector alone speaks to the fact that non-compliance is a generalized social norm, and that there are issues of legitimacy for the rule of law in a country, as well as the legitimacy of its governmental institutions. Moreover, if social protection agencies cannot collect the needed resources through the taxation system, they cannot implement their programs

efficiently and it also limits their ability to confront social problems with collective solutions.

In addition, in special reference to Mexico, Santiago Levy, the ex-director of Mexico's Health and Social Security Institute (IMSS), shows how informality may both frustrate the objectives of anti-poverty programs as well as the reverse, that these programs may incentivize more informality. He sums up the impact of widespread informality as affecting the effectiveness of certain social policies such as the conditioned cash transfer programs, Mexico's persistent problem of low productivity, and poverty. For example, the anti-poverty program *Progreso-Oportunidades*, which strives to interrupt generational cycles of poverty in Mexico, may be undermined to an extent by a program designed to be complementary, the *Seguro Popular*. An individual who participates in the program and then faces the current labor market, will all too easily be attracted to the informal sector, given the "safety net" of *Seguro Popular*, which replaces one traditional incentive for her to enter a part of the labor market with adequate security and protections. Moreover, the *Seguro Popular* safety net lets employers off the hook, to an extent, in complying with tax law and creating formal sector employment (INEGI, 2012).

As such, a lack of quality employment, particularly the problem of widespread informal employment, is a public issue due to its impact on the well-being and income level of workers and their families, on economic productivity and growth, on taxation and public revenue as well as its effect on the success of other social and economic development programs.

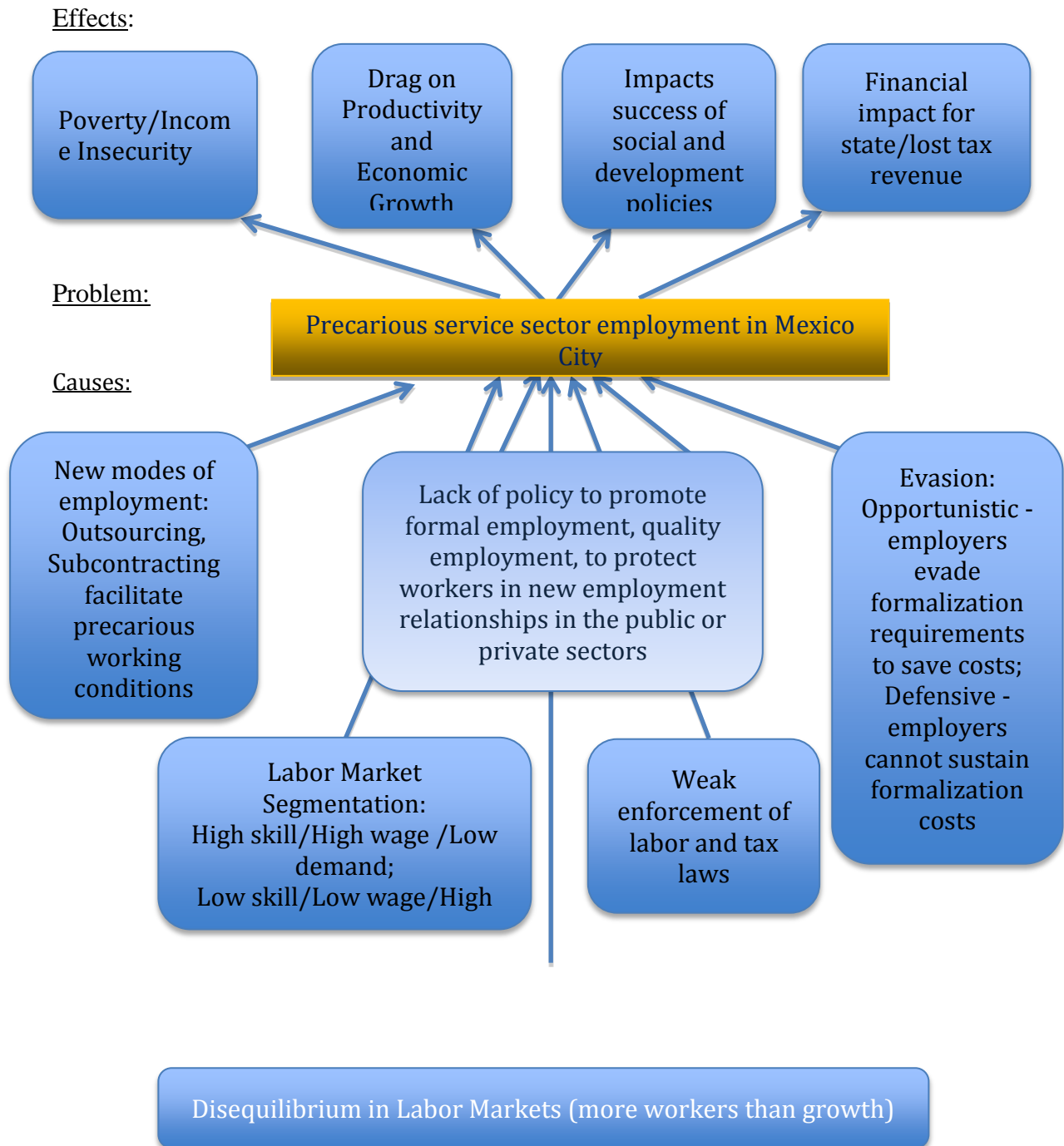
2.3 Causes of poor quality employment in the service sector in Mexico City

While the negative effects of poor job quality are described above, the root causes of the issue are multiple and interrelated. Looking at the Mexican economy overall, a large and youthful population and slow economic growth means that most regions of Mexico are experiencing a fundamental disequilibrium in their labor markets – with more workers than its pace of economic growth can absorb. Mexico City is no exception, with

the issue exacerbated by its being a target destination for excess laborers from other parts of the country, who migrate to the metropolitan in search of employment.

This imbalance in the supply and demand of labor comes together with other practices and dynamics to degrade job quality. The labor market is increasingly segmented between highly skilled, higher wage employment and low skilled, low-wage work, and new modes of employment such as outsourcing and subcontracting facilitate precarious working conditions. Employers have also found ways to evade protections on job quality, such as social security systems, finding their expense either unviable or a burden on profits and a weak enforcement of labor and tax laws facilitates this practice. These causes have been well-researched, as we will see in the literature review which follows, and could be addressed by state action and policies. However, what is striking about Mexico City is the paucity of programs and policies designed to confront the issue of poor job quality. This lack of an effective policy to promote formal employment and to protect workers in new employment relationships in the public or private sectors, is a cause in and of itself, and will be the focus of this study.

Fig. 2 – The Problem Tree: Causes and effects of poor quality employment in the service sector in Mexico City



2.4 Labor Policy in Mexico City: The Missing Pieces

The object of study is the absence of a policy, which is rather like describing negative space. It is first necessary to describe what policies related to employment in Mexico City in the service sector do exist, then identify what is lacking, and then identify which missing policies are most relevant to matters of job quality.

To begin, the labor and employment policies of Mexico City pertain to both the creation of jobs and the protection of labor rights at work, especially as a regulator but also as a client. The legal framework of the city's policies is found in international conventions especially those of the ILO; the national labor law (Art. 123 of the nation's Constitution and the National Labor Law) and in various Mexico City laws and statutes. Some of the most of the important of these are: the Public Administration Law of the Federal District, the Employment Protection and Generation Law of the Federal District, the Creation of Cooperatives Law of Mexico City and others.⁴ The majority of labor and employment related policies fall within the jurisdiction of the Secretary of Labor and Employment (STyFE), but some are also with that of the Secretary of Economic Development (SEDECO), the City Comptroller and the Chief Administrator of the city.

The main policies and programs in place affecting employment in Mexico City may be grouped into seven categories. In a detailed evaluation of the labor and employment policies of Mexico City in 2010, former city Labor Sub-Secretary Saul Escobar Toledo describes the first five areas (EvaluaDF, 2010):

1. Policies for economic growth, which are mostly run by SEDECO: these include macroeconomic policies which are largely limited to managing the city's finances, given that other macroeconomic tools such as wage levels or fiscal policy fall within federal jurisdiction. The city, however, may develop programs designed to promote productive activity. Some such programs include "One Stop" offices which aim to simplify procedures for new businesses to open in the Federal District, particularly in targeted areas such as industrial zones. As well, there are specific subsidies for small businesses, as well as fiscal stimulus and tax

⁴ For a complete list, see Escobar 2010.

- reductions programs for companies which open in DF and create jobs. Finally, the city may avail itself of the option to use public resources to investment in public works such as roads, infrastructure, buildings, parks, and other public projects. This last item is one of the largest lines in Mexico City's overall budget, projected at 20% of the city's expenditures for 2014. (CNNExpansion, 2013)
2. The unemployment insurance program managed by STyFE: Mexico City's unemployment program is groundbreaking, being the only of its kind within the country. It is a passive policy, directed at formal sector workers who lose their employment, designed to maintain a worker's income level while facilitating their reinsertion into the labor market. The program uses over 60% of STyFE's budget.⁵
 3. Job training programs run by STyFE, using Federal and local funding: 92.7% of these active labor policies are funded by the federal government. For example, federal programs support several job placement and training programs, such as *Becate* and others. As well, the city and the federal government both contribute to programs supporting self-employed workers and micro-businesses, an example being the CAPACTIES program. The city has also invested in youth training programs, such as "*La Comuna.*" Finally, the city has promoted the creation of cooperatives, with training programs and technical support.
 4. Worker protections and the enforcement of labor rights, run by agencies of STyFE: the Division for Labor and Social Protection (DGTPS) is responsible for inspecting worksites within the city for compliance with Federal labor laws, a task carried out in coordination with the Federal labor Inspection force. In most cases, the city's labor inspectors support Federal inspectors, but there is no prohibition on city staff initiating labor inspections in areas within city jurisdiction. The DGTPS is also responsible for enforcing laws to protect underage workers and women workers. The Prosecutor for Labor Protection (PDT) carries out legal defense work, with a staff tasked with representing and advising workers and their organizations in matters related to labor violations, salary and severance pay

⁵ According to Escobar 2010 numbers.

issues, and to mediate conflicts. The Local Labor Board enforces federal labor law.

5. Social Dialogue: While not precisely a policy, there exist various tripartite committees and advisory boards in Mexico City designed to promote dialogue between labor and civil society organizations, business representatives and the government. Of these, some have almost never met and others have issues with transparency or inclusiveness.

In addition, there are two other policy areas:

6. Program to registering and protect informal or unsalaried workers, run by the STyFE (Duran & Galhardi, 2013): Based on public image, the penal code and transit laws, the STyFE and the DGTPS have developed a program to register informal and non-salaried street vendors. For example, the DGTPS distributes vests for car washers and watchers, providing a degree of legitimacy, protection from police extortion and access to city programs in exchange for help with local security. The city is building a registry of this workforce, which has captured about 15% of this workforce to date.⁶
7. Auditing and accountability structures for private services acquisitions by the city, jurisdiction of the Mexico City Comptroller and the Chief Administrator (PODER, 2010): The Mexico City Acquisitions Law and the Mexican Constitution state that private acquisitions such as contracts for services must be given through public, open bidding procedures. Under the city-level auditing system, the acquisition committees of each city agency uses tri-company bids, where three companies are invited to offer bids and other companies are excluded.

Within this set of public policies, there are many policy gaps (absence of a policy) which affect job quality. In other words, while Mexico City does have some labor and employment policies in place, they are incomplete in many ways, particularly in ways that have to do with improving job quality and addressing informality and precariousness.

⁶ According to Escobar 2010 numbers.

Notable oversights may be found in the two largest areas of spending - the public works and the unemployment program.

Despite the impact that the city's investment in public works has on employment levels, there are no statutes or policies in place requiring that the jobs created constitute decent work, and the type of employment created is not evaluated by the city. As Escobar notes in an example, public contracts are not reviewed for labor rights violations or for compliance with prohibitions on child labor, an issue endemic in the construction industry (EvaluaDF, 2010). In addition, private contractors are not required to hire DF residents, or to create stable or quality employment. The public works program has no coordination with STyFE and its training programs, unemployment program or labor inspections. In contrast, other cities have developed local policies to ensure that publically funded projects coordinate with employment and labor public policies, to ensure hiring for targeted communities or populations, and with conditions requiring that private contractors provide employment conditions that are meet or exceed legal minimums (Delugach, 2008).

The unemployment insurance program of Mexico City, while innovative for Mexico, does not address the needs of informal sector workers or precarious workers, and while a stated goal is to help workers reinsert into the labor force, there are no specific programs to connect unemployed workers to quality employment. Moreover, nearly all of the personnel employed by the city to administer the program are temporary hires and consultants (EvaluaDF, 2010). There have also been accusations of clientelism and irregularities in the manner in which unemployment benefits are distributed (Aldaz, 2013).

Within the STyFE programs, there is more attention paid to job training than to matters of job quality despite the fact that local analysts and policy-makers note that, particularly in the service sector, it is the quality of the employment that is often a cause of concern (M. Canto, personal communication, Feb. 5, 2014). In the job training and placement programs there is no monitoring of the quality, stability, or the nature of the jobs offered. Escobar cites an example of the Mexican retailer Soriana receiving public funds to train workers, an estimated in-kind value of MXN\$45,000 per worker, for precarious and low wage jobs, with high turnover (EvaluaDF, 2010). In the case of

programs directed towards car “watchers” and washers and other informal workers, the policy is an attempt to regulate informal work, in particular that which is visible and may affect quality-of-life issues in the city, but not to address problems of job quality/precariousness or to create formal sector employment (Duran & Galhardi, 2013). Within the initiative to support the formation of cooperatives, little attention is paid to the quality of employment that these organizations create.

Missing from STyFE initiatives are many elements related to its effectiveness in enforcing federal labor law and its role as a client of service sector contractor. For example, in terms of labor law enforcement, there is no effort in place to improve inspections and curb illegal practices in the sectors that are within DF jurisdiction, such as services. As well, there is no mechanism to monitor the effectiveness of work of the PDT, as they are required to report the numbers of consultations they have with workers but not on results. Labor inspections in the city are dramatically sub-standard, with just 36 inspectors, only 24 of whom work in the field (M.A. Camargo, personal communication, June 24th, 2014) for an estimated 4 million workers (while the ILO recommends one inspector for every 100,000 workers) and with inadequate sanctions or power over violators to remedy violations (Bensusan, 2008)⁷. There has not been a systematic attempt to either increase the number of inspectors or improve the way the current staff levels are operating though improved data systems or by prioritizing problematic sectors (EvaluaDF, 2010). Moreover, as will be described later in this chapter, there is a serious problem with the protection of freedom of association for workers in Mexico City, in particular the abuse of employer-sponsored unions, with no policy in place to curb this practice.

In terms of an internal labor policy, as many as half the city’s employees have been classified as temporary, eventual or confidential and are excluded from receiving legal health and social security benefits or job security (J. Ayala Rivera, personal communication, March 18th, 2014). While the Mexico City government has recently committed to regularize a portion of these employees (Munoz P. , 2014), there is no city-wide policy to prohibit the practice. And, importantly, there is no policy or practice to

⁷ The many inadequacies in Mexico City’s labor inspections are described in detail in Bensusan, 2008.

require compliance with labor laws in the bidding processes for contracts for city services or for vendors.

In matters of bidding and acquisitions, as we will see in the illustrative case of the janitorial industry, there is a notable lack of transparency in Mexico City's procedures. Bidding committees in each agency operate without public disclosure, bidding specifications are frequently not made public and committees may restrict bids to certain competitors which they choose (PODER, 2010). To date, there has been no policy to improve the transparency of the bidding committees of each agency, to make bid specifications public or to allow open bidding and not only bids by invited companies. In practice, new contractors may be strongly discouraged from bidding for city work. One large, international contractor described receiving threatening phone calls after placing a bid to clean one line of the city's Metro system, leading his firm to withdraw their bid (C. Madsen, personal communication, April 18th, 2008). There is no procedure to review the conduct of acquisitions committees at city agencies, or standardization for bidding procedures across the city government.⁸

As well, in other local governments, firms competing for public business must document their compliance with labor and other regulations which ensure decent employment, in order to be considered eligible to bid. For example, Pais Vasco in Spain uses *clausulas de cumplimiento* (compliance clauses) requiring bidders to show how they will ensure that labor rights and other employment policy goals are met in the execution of the public contract. In Mexico City, no policy mandate exists to consider the legal record of the companies or their owners with regard to labor laws, or past IMSS or SAT audits or that of their owners when considering bids.

Another policy gap, previously mentioned when discussing the public problem, is that agencies are required to take the lowest solvent bid as its only consideration, yet "solvency" is not clearly defined. In practice this means that bids from contractors do not have to show that they will cover legally-required payments into the social security system or severance payments if a contract is severed, let alone create employment of descent quality. One of the business associations for cleaning companies, ANEL, has

⁸ For a detailed description of Mexico City's bidding processes, see PODER 2011.

formally addressed public officials to inform them that contractors are being hired to preform work in public agencies for prices lower than the actual cost,

“...the prices at which public sector agencies have contracted these services are below their true value, due principally to the voraciousness of some unscrupulous contractors who, in order to win the greatest number of bids, lower their prices below the point of equilibrium, preventing other companies from being able to compete with these prices. The contracting agencies have not conducted the relevant market studies to know the market prices, which would allow them to contract these services from companies who fulfill their fiscal and social security obligations.” (ANEL A.C., 2007)

The following chart lays out the principal areas of Mexico City’s labor policy, and where the components that could address matters of job quality have been overlooked.

Fig. 3 - Labor Policy in Mexico City: The Missing elements regarding Job Quality

Area of labor policy	Government agency responsible	Addresses Job Quality?	Missing elements
Policies for Economic Growth	SEDECO, Public Works	No	No criteria or review to ensure jobs on publically funded projects or in industrial zones meet the standards of decent work.
Unemployment Insurance	STyFE	No	Does not connect workers to decent employment. Does not address needs of informal workers. Irregular practices in how benefits are distributed.
Job Training Programs	STyFE	No	No requirement that employers using public training programs create decent, stable jobs.
Worker Protections and the Enforcement of Labor Rights	STyFE: DGTPS, PDT, JLCA	Very little	No policy to improve the number of or quality of inspections in areas within DF jurisdiction. No effort to address flaws in the protection of FOA. City’s internal labor policy does not guarantee decent or stable employment
Registering informal workers	STyFE: DGTPS	No	Emphasis on regulating informal workers rather than improving their

			labor conditions.
Accountability in private services acquisitions	Comptroller, Chief Administrator	No	No compliance clauses or language to ensure labor laws are respected by contractors. Lowest cost bid must be taken, without considering labor records. “Solvency” undefined, ie, no requirement that contractors be able to meet legal and fiscal obligations. No policy of labor inspections in private service contractors.

Source: own elaboration

This and other omissions have encouraged precarious employment in the public sector to expand without effective governmental intervention, which is problematic as a matter of policy in two ways – one is the generation of poor quality employment with resources that are public in origin, the other is that it sets a poor example what is tolerated by the city government in terms of employer behavior and job quality.

In summary, while there are numerous labor and employment policies on the books in Mexico City, there is no city-wide policy designed to address the serious issue of poor job quality in the growing service sector. This - the lack of a policy for job quality in the service sector - will be considered to mean the absence of policies in the following areas:

Considering the Mexico City government role as law enforcement and regulator:

1. Policies or programs to improve labor inspections and curb illegal practices which affect job quality in sectors which are within DF jurisdiction, such as the service sector.
2. A policy to address the lack of Freedom of Association in Mexico City, including the difficulty in registering independent unions at the JLCA and the prevalence of protection contracts, especially in sectors that are within DF jurisdiction.
3. A program or plan to increase the number of inspectors or improve the way the current staff levels are operating to address labor violations in the service sector.
4. A policy to eliminate precarious work within the city government, including STyFE staff on high profile programs like the unemployment insurance
5. Lack of policy to ensure labor inspections in contracts for city services and for vendors to identify and address violations.

Considering the Mexico City government role as a consumer or purchaser of services:

1. Policy or oversight to require compliance with labor law in contracts for city services and for vendors.

2. Policy to review the conduct, procedures and transparency of the acquisitions committees of each agency and to standardize bidding procedures to ensure job quality in city contracts.
3. Policy to use city resources to publically promote a message supporting quality employment – such as through bidding specifications which include human rights and decent work standards.
4. An effort to close policy gaps and loopholes, such as defining a “solvent bid,” and other similarly vague language.

2.5 Public Policy Options for a Local Government to Promote Quality Employment.

In contrast with Mexico City, many global cities around world have addressed the issue of job quality, precariousness and informality through public policies that improve the city’s ability to enforce labor law, or through contracting and purchasing policies that ensure that public spending reinforces the policy goal of supporting quality employment. In the latter category, there are three principal types of policies to consider – 1) those that affect public works or projects with a defined timeline; 2) those which establish a living wage for certain classes of workers, particularly those on public projects or in key or subsidized industries, and 3) those which affect the acquisition of services or the use of subcontractors or outsourcing for the daily functions of a local government. While this is by no means an exhaustive list of policy options, and cities may develop additional policy tools, these three areas have been successfully used by global cities to address job quality challenges.

In the first instance, there is a tool called Project Labor Agreements (PLAs), something similar to a short-term union contract, in which the conditions of a publically funded project are negotiated ahead of time, including issues of hiring, wages, timelines and construction budgets. As such, both the organizations representing workers, employers (including non-union employers) and the city administrators receive security about salaries, employment conditions and costs. These agreements have served in New York, Los Angeles and other North American cities to both protect public budgets from unexpected expenses or labor conflicts and delays in the execution of a project, while also serving as a vehicle for the creation of high quality employment. In addition, in cities like Los Angeles with many marginalized communities, the agreements have

succeeded in stipulating the employment of vulnerable workers (handicapped, women, youth, etc) on public projects (Kotler, 2009) (Neumark & Adams, 2000) (Delugach, 2008).

To address the problem of precarious, low wage work, some cities have developed a living wage policy, to compensate for a stagnant Federal minimum wage. By setting a minimum salary for employees on publically funded payrolls (the categories of employees can vary widely, from state workers to contractors to private employers with public subsidies), public resources influence the local labor market, creating a degree of upward pressure on local wage levels (Thompson & Chapman, 2006).

Finally, there are policies for responsible purchasing or responsible contracting by local governments, designed to ensure that contractors and suppliers comply with minimum labor standards. These policies, which may take various forms, usually insert conditions into the bidding procedures for service contractors. They may require evidence of past compliance with labor laws to screen out violators, or they may inject language requiring that contractors offer above market wages or benefits. In Pais Vasco in Spain, for example, bidding processes require a compliance clause, where the contractor commits to respecting the ILO Fundamental Rights at Work. These policies typically include language and tools to ensure compliance as well (Comision Europea, 2010) (ILO, 2011).

3. Literature Review and the State of the Issue⁹

There are numerous theories and debates exploring the causes of poor job quality in general, and in the city. These include a range of studies which explore the causes of informal and precarious work and the debate as to whether informality is primarily a matter, as described by Perry and Maloney for the World Bank, of “exit” or of “exclusion,” meaning voluntary or imposed (Perry & Maloney, 2007). These authors frame informality as a logical response to limited quality employment opportunities, poorly administered and inflexible social security programs and onerous regulations,

⁹ See Annex 1 for a table of the main literature, debates and theoretical and theoretical frameworks.

leading both workers and employers to opt for informal sector arrangements, despite the implications for job quality. In response, Kucera and Roncolato from the International Labor Organization (ILO), posit that while for some workers, opting out of formal sector employment is a choice, a growing number of legally registered, formal and often large employers are classifying groups of employees as temporary or voluntary, leaving their positions precarious, without formal sector social protections and degrading the quality of employment, despite the formal sector setting (Kucera & Roncolato, 2008). They assert that poor labor law enforcement and weak regulation in many countries are permitting employers to opportunistically evade social security and fiscal payments, leading to an increasing number of workers in formal sector setting to be informal, low-wage and vulnerable.

Other frameworks find the explanation for poor job quality in the manner of Mexico City's insertion into the global economy, and new employment structures within the global economy. The body of literature around global cities (Sassen S. , 2005) and the rise of outsourcing and sub-contracting, particularly in the service sector, finds that the arms-length distance between workers and the consumer(s) of a service creates both downward pressure on wages and working conditions but also obscures responsibility for addressing these conditions (Dean, 2011) (Weller & Roethlisberger, 2011). Sassen, in particular, notes that in global cities such as Mexico City, a new, externally-focused segment of the economy which is fast-paced and using new employment modalities coexists with a more traditional state and set of labor and other regulations, leading to a regulatory gap where old labor policies are inadequate for addressing new labor market and employment quality challenges (Sassen S. , 2005).

In addition, there are acknowledged productivity issues in the service sector, with some economists asserting that the rise of service sector employment and skills based technological change (SBTC) is accompanied by a growing polarization of job quality, with low productivity jobs receiving lower wages (Chanda & Dalgaard, 2005). This has been a common narrative among policy makers who explain that poor job quality is largely a natural by-product of increasingly mechanized production trends, and may be addressed through education and job training. However, the counterargument to this view notes that evolving employment and production methods are not new in history, while the

recent global trend of increasing income inequality is, and that it is changes in regulatory patterns and labor market institutions that have driven the increasing segmentation of the labor market in services and in other sectors. (Mishel, Schmitt, & Shierholz, 2013) (Stiglitz, 2012) (ECLAC, 2012) Mosley explores this theme, arguing that while a territory's insertion into the global economy may have a negative effect on labor rights and job quality, it is not necessarily so, and that a domestic government may sufficiently regulate the labor market so that globalization does not have a negative impact on job quality (Mosley 2011).

Likewise, there are a series of studies and policy papers which explore government and policy options to address matters of job quality, regulatory gaps and sub-contracting of services in the public and private sectors, including some at a local or city level. These include better labor law enforcement, reinforcing labor market institutions such as unions and minimum wage standards, 'formalization' programs to address evasive informal employment, and the development of local contracting and bidding policies, including the types of policies described above (Bensusan, 2008) (Kotler, 2009) (Neumark & Adams, 2000). The latter, in particular, is an area that falls within the jurisdiction of a local government administration as most service contracts – cleaning, security, property maintenance, recordkeeping, accounting, etc - are bid locally.

However, the apparent failure to address these obstacles to job quality or to explore all available employment policy options is ultimately a matter of a government's political and decision-making processes. The literature on how a government makes decisions, develops policy and moves towards reform is an area of study which looks at how institutions, actors, bureaucracies and their interests and motivations shape how these real challenges are confronted (or not) locally. This may be a matter of a Left wing government relying upon social policy rather than developing labor and industrial policies, inherited practices of clientelism or on the power of certain actors to block policy changes. Several scholars of Latin America have explored the models of Left governments in the region, and their responses societies experiencing both rising expectations for greater electoral freedom and consumption possibilities, as well as rising levels of income inequality and an economic growth model that is not creating quality employment. Weyland finds that both radical and moderate Left governments have

tended to opt for social policy over employment policies, a decision which he and Filgueira attribute largely to restrictions imposed by a neoliberal global economy on national and local policy-making processes and their actors (Weyland, Madrid, & Hunter, 2010) (Filgueira, Reygadas, & Luna, 2012).

More broadly, Allison develops how the decision making process may be analyzed from several perspectives, taking actors as rational players acting in self-interest, looking at organizational processes or breaking down bureaucratic politics, each leading to distinct though possibly related conclusions about how policy decisions are made within a government (Allison, 1969). Tsebelis moves a step further and explores how the process to adopt or change public policies necessarily involves the acceptance of a given set of actors, who may act as veto players to prevent changes to the status quo (Tsebelis, 2002).

Building on these ideas, in “The Political Game in Latin America: How is Public Policy Determined?,” analysts at the Inter-American Development Bank (IDB), create a useful analytical framework with which to examine how the process of policy formation impacts the characteristics and quality of public policy in a given political system, particularly in Latin America (Scartascini, et al. 2011). To do this, they assert, one must look at the main actors in the policy-making process (from conception to implementation), their behaviors and incentives, and the institutions and laws which define how they interact.

However, within the study of employment quality, the service sector and decision-making within governments, most research has been conducted at a national level. While major metropolitan centers around the world have become the drivers of the global economy and financial system, and while the service sector is increasingly the largest part of the economy worldwide, little investigation has been done into how and when a local government will take steps to impact job quality in the service sector a positive way for its citizens. Likewise, research and policy analysis done at a local level about employment quality is largely focused on offering public policy recommendations and measuring policy impacts, without delving into the local decision-making process itself to better understand how to support and promote policy reforms. Therefore, studying the policy-making process of a large, developing global city which appears

outwardly to have both the political and economic potential to create decent jobs in the service sector through effective labor and employment policy for quality employment, will fill an important gap in the current literature on job quality and labor policy.

4. Research question

At this point we have identified the public problem as the lack of quality employment in the service sector in Mexico City. While this problem has multiple causes, what stands out in Mexico City is how thin an offering exists in terms of programs and policies designed to improve job quality in the city, particularly when many other cities have been developing policies to address these issues in recent years. Despite the challenges presented by the disequilibrium in the labor markets, new employment contracting modes and evasive employers, Mexico City's administration could be taking steps to address and mitigate these issues. Moreover, given the rapid expansion of the service sector and the leftist rhetoric of the government, it is reasonable to assume that at least some steps would be taken to ensure that service sector jobs are jobs of sufficient quality to avoid public problems such as income insecurity, lost tax revenues and slowed economic growth. Yet as we will see, the city has failed meet these expectations.

Therefore the objective of this thesis is to answer the research question:

Given the range of actions available to a local, urban government, as a) a sizable client/consumer of services and b) a regulator; why has Mexico City failed to develop a policy to promote good quality jobs?

Chapter 2

At this point we have identified the public problem as the lack of quality employment in the service sector in Mexico City, and our research question is *why* some local and metropolitan governments adopt measures to address these challenges while others appear to take little to no effective policy action. Therefore, this chapter will develop a theoretical framework within which to examine how the policy-making process, with its actors, institutions and arenas, affects the quality of employment policy at the metropolitan level within the political subsystem surrounding employment conditions.

1. Theoretical Framework - The Political Game: reform or inertia?

Throughout the 1980s and 1990s, the study of policy-making focused on the design and content of public policy. As opposed to the political sciences and the study of States and political systems, the field of policy studies emerged, in the 1950's as Lasswell famously described, as the study of knowledge *in* the policy process as well as knowledge *of* the policy process (Lasswell, 1951). While initially limited to a specific focus on policy-making in western democracies, particularly the United States, with time the field developed a perspective and analytical framework to examine the policy process in developing nations, with a "broader approach" that considered the type of state – authoritarian vs. democratic - as well policy content (Bazua & Valenti, 1993) (Aguilar, 2010).

Despite this, in recent decades the international financial institutions and lending governments had largely focused on promoting prescriptive recommendations for most public challenges in developing countries, including, for example, the issue of job quality and decent work (IDB, 2004). However, as Ardanaz, Scartascini and Tommasi describe, this prescriptive, content-focused approach revealed serious limitations as similar policy reforms unfolded with greatly varying degrees of success in different countries. (Ardanaz, Scartascini, & Tommasi, 2010) By the 1990s, the field of public policy turned its attention to the processes of policy-making and the political institutions and

motivations which shape it. A new body of analysis developed, often referred to as the new political economy literature.

As a theoretical approach which spans several disciplines, classical political economy theory has traditionally combined the study of economic and political behaviors, understanding that economic decisions are influenced by political systems, while political behavior is often based upon economic incentives (Gamble, 1995). The new political economy draws upon this approach as well as more recent advances such as the rational choice analysis of agency to apply the theory to political decision-making and public policy (Gamble, 1995). The result is a theoretical approach which takes as a unit of analysis the public policy itself and its qualities.

The new political economy authors developed a series of characteristics which could then be analyzed to predict the success of a policy – in other words, regardless of content, a policy with these characteristics - it is consistently applied, enforced in a predictable way, enjoys a large degree of political support and other qualities - is more likely to have an impact and be successful than a policy which lacks these qualities. (Ardanaz, Scartascini, & Tommasi, 2010) From this perspective, the variation in these characteristics is largely determined by the policy-making process. In “The Political Game in Latin America: How is Public Policy Determined?,” the editors at the Inter-American Development Bank (IDB) create a useful analytical framework with which to examine how the process of policy formation impacts the characteristics and quality of public policy in a given political system (Scartascini, Spiller, Stein, & Tommasi, 2011).

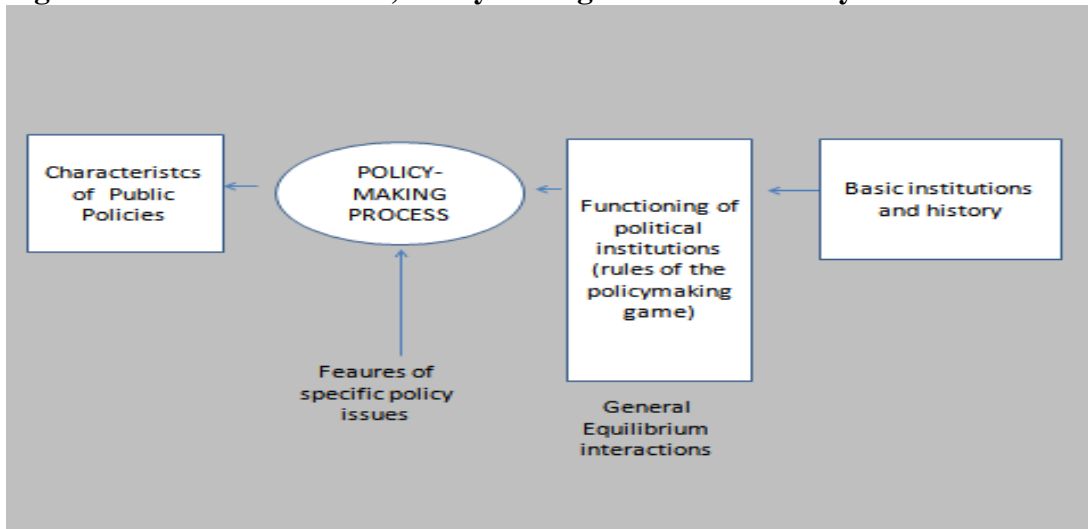
As they lay out their case for what constitutes an effective and high-quality policy, and the variables in the political game which determines its level of effectiveness, we can see that their focus on the *process* of policy-making, rather than its outcome, provides tools for identifying the obstacles which exist in creating policy reforms - in other words, the *why* in our question. To do this, they assert, one must look at the main actors in the policy-making process (from conception to implementation and enforcement), their preferences, incentives, limitations, and the institutions and laws which define how they interact.

“In a nutshell, policies are endogenous to the *policy-making process* (PMP), which by definition, is a political process that involves a multiplicity of actors

(such as professional politicians, economic interest groups and common citizens) who interact in a variety of formal and informal arenas (such as Congress or the street), which in turn can be more or less transparent.” (Ardanaz, Scartascini, & Tommasi, 2010)

In the new political economy representation of the political game, the dependent variable is taken to be the characteristics and credibility of a given policy, while the influencing, or independent, variables are the policy-making process (PMP) and the rules of the political game, both of which include several components to be described further on. In turn, both of these independent variables are influenced by contextual factors such as the political system’s basic institutions and history, as well as characteristics specific to the political sub-system surrounding a particular policy field. The relationships are represented in the diagram below.

Fig. 4 – Political Institutions, Policymaking Process and Policy Outcomes



Source: Spiller & Tommasi, 2003

This conceptualization of the policy-making process has served as an orienting framework for the methodical and academic study of policy-making, though most frequently at a national level. Studies at the city or local level are less common, particular for specific policy matters such as employment or job quality, an important shortcoming given the role that urban centers play in the global economy. Therefore, we

will here break the framework down into its corresponding parts for examination in order to apply the political game framework to a metropolitan government addressing labor and employment policy.

1.1 Characteristics of a credible policy

Within this model of analysis, a credible and potentially successful policy designed to reach specific policy goals is considered to be one with at least several of the six characteristics described here (Ardanaz, Scartascini, & Tommasi, 2010) (Scartascini, Spiller, Stein, & Tommasi, 2011).

Stability or predictability. While employment policies can and will change over time, it remains important that their application in general be consistent, steady and uniform. It would be important, for example, to note whether a city's labor and administrative laws are applied rigorously to some employers, workers or sectors and not others; if the policy or rules change when political actors change; or whether its implementation depends on the discretion of individuals at the Labor Board.

Adaptability vs. rigidity. As noted, local economic conditions, prevailing modes of contracting, political leadership and other factors affecting employment can and do change. While a policy should be relatively stable, this should not turn into a failure to adapt to surrounding changes or to correct a failing policy. Such rigidity may be due to political gridlock, or due to entrenched interests intentionally obstructing policy reforms that could improve employment quality.

Coordination and coherence across the government. There are various actors and agencies within any political sub-system. The system of labor and employment policy will include the local secretary of labor and labor courts, but other areas of the government also develop policies which touch the issue of working conditions. Social development policies may create programs which mask poor quality jobs (youth internships, for example) or administrative policies may neglect to consider labor standards in taking bids for service contracts. If policy initiatives across agencies work at cross-purposes, it is difficult for any one policy to be effective.

Quality of implementation and enforcement. In the area of labor policy, in a competitive economy, it may be assumed that employers will not self-enforce themselves to meet certain labor standards, and that it is necessary for the government and the legal system to be able to effectively implement and enforce labor legislation. In fact, across a market, employers' self-interest in complying with employment and labor standards may rise if they know the policies are being equally and effectively enforced for their competitors as well. Without effective enforcement, a policy is essentially words on a paper rather than an actual tool.

Orientation towards the public interest. As the name implies, an effective public policy is one designed to advance the public interest rather than private interests. With this characteristic, we are not saying that a policy cannot be distributive or redistributive in nature, but rather the opposite should not be true – that the policy-making process should not be designed to funnel public resources to certain private interests or segments of the population. For example, policies which allow city service contracts to be bid without transparency open the door to cronyism, where public funds pay private contractors without a process to ensure the contract is awarded on merit rather than political connections.

Efficiency. Finally, to be optimally effective, a policy should make efficient use of the resources available and not be wasteful. While not a sufficient characteristic alone – a state may efficiently carry out a harmful policy - it is a desirable quality in a world of scarce resources. In the above example, transparency policies would also ensure that city resources go to the contractors who can use them most efficiently.

These characteristics may be quantified and measured empirically, and used as predictors of success of a policy. In the new political economy theoretical approach, having these attributes in a policy depends upon a certain level of quality in the policy-making process and about the institutions which shape the political game.

1.2 The Policy-Making Process

Within a nation's institutional framework, we may look at the elements of the political "game" which contributes to, or create obstacles for, effective policy-making.

Taking the approach of the authors at the IDB, effective policy depends largely on the degree of cooperation fostered within the process. Assuming that the policy-making process is essentially a set of political exchanges for the future, then the credibility of the exchanges to be respected over time is crucial. (Ardanaz, Scartascini, & Tommasi, 2010) Of course, it is possible that cooperation can lead to poor policy outcomes, or that cooperation can morph into collusion between actors and prevent effective policy-making. However, in the majority of cases, if a political system's institutions cannot guarantee a degree of credibility, actors have little incentive to cooperate over time and the quality of the policy-making process greatly diminishes. Certain elements make cooperation among the actors in the employment policy subsystem more likely (Scartascini, Spiller, Stein, & Tommasi, 2011). As well, as described by the new political economy authors, *institutions* and laws establish the rules of the game – who participates in the political process, in what role, and in what settings.

Beginning with the game itself, the NPE authors lay out certain elements which make cooperation among the actors in the employment policy subsystem more likely (Scartascini, Spiller, Stein, & Tommasi, 2011). One is the number of players in a given policy area. This is a notable challenge in the area of employment policy, where traditional employment structures have become more complex and layered. Previously, the key actors may have been limited to a single government agency applying labor regulations to an employer- employee relationship within the context of a national economy. However, the number of players – direct and indirect - in the local labor market has increased exponentially. The expansion of social security and benefit programs draws in additional government agencies and legislators, as does the proliferation of tax incentives, federal and local subsidies, trade regulations, social development policies and other points of entry into the productive process (Calderon & Dyer, 2009). Moreover, as urban economies shift from manufacturing towards the service sector economy, employment is taking on new forms involving more actors – outsourcing, consulting firms, temp agencies – which create new sets of actors and incentives to coordinate (Sassen S. , 2001). Finally, as union density declines globally, particularly in the service sector, the number of actors representing worker interests may be more diverse or at least less aggregated. Political parties may have traditionally

represented business or worker interests in the policy-making process, but this structure of political participation of socio-economic interests has likewise suffered changes. The greater economic complexity of the modern, global city means that finding the set of policies upon which all actors may agree is a growing challenge, and the number of vested interests who may throw up obstacles to policies designed to creating decent work, and their opportunities to do so, have grown (Calderon & Dyer, 2009) (Elizondo, 2009).

A second matter is the pattern of interactions and links over time. If actors will be working together for a long time, cooperation is more likely. A local labor secretary in office for the duration of an administration, regulating a stable local employer will develop a relationship over time where each knows the others' incentives and expectations, and cooperation is – at least in theory - more likely (though so is collusion). In contrast, a city council with high turnover among legislators and local employers with many subcontractors who may change frequently will find it more difficult to establish long-term, cooperative or even functioning, relationships.

A third consideration is the degree of reliable delegation in the policy-making process. If legislators develop a policy designed to foment high quality employment, they must also be able to delegate the implementation of that policy to a competent, impartial labor bureaucracy, in other words there must be a degree of governmental capacity (Rothstein & Teorell, 2005). If the labor or administrative bureaucracy lacks capacity, resources or is dominated by vested interests, it will be unable to effectively implement even the most publically-oriented, well-designed policy.

Enforcement technologies are another important element. As with delegation, an impartial judicial bureaucracy is important to supporting an effective policy. Players in the policy area will be more likely to cooperate productively if they know that policies, once designed, will be effectively enforced. Labor representatives and unions, for example, are unlikely to cooperate in policy negotiations without an assurance that adequate enforcement capacity exists to ensure that employers honor their agreements and will comply with the compromises or bargains extracted during the policy-making process.

Finally, it matters where and in what setting policy-making occurs. Cooperation and effective exchanges are most likely to take place in formal arenas with transparency

and clear rules of the game. An employment policy discussed and approved by the city council has a greater chance of being effective than one developed in a backroom meeting which excludes certain interests. While informal conversations and private meetings may be useful in building consensus around a policy option, the potential for abuse of such informality is tempered by ensuring that final commitments and decisions are ratified publically before implementation.

The matter of arenas becomes additionally complex for local governments, as their policy-making process often occurs in multiple arenas. Cities, particularly capital cities, often rely upon federal funding for key elements of their administrative and physical infrastructure and this may be true of their policy-making process. Federal mandates usually dictate labor law, for example, and federal inspectors may have jurisdictional responsibility for elements of its implementation. Employment policy content may be debated locally while funding allocations are debated federally. For example, in Washington DC, local legislators are able design some public policy locally, but are unable to allocate or spend resources – even locally raised tax revenue - for implementation without Federal congressional approval (this led to severe consequences for the city during the recent U.S. federal government shutdown). Different institutional arrangements may be considered formal and effective for policy-making, though their proliferation may add to the complexity of successful policy-making.

To sum up,

“.... political cooperation leading to effective public policies is more likely if: (1) the level of aggregation at which political actors enter the policy process is high; (2) those actors have long horizons and/or strong intertemporal linkages; (3) good delegation technologies are available; (4) good enforcement technologies (such as a strong court to arbitrate) are available; and (5) the key political exchanges take place in arenas where properties (1)-(4) tend to be satisfied.”

(Ardanaz, Scartascini, & Tommasi, 2010)

In addition to the factors which determine the degree of cooperation between actors, the policy-making process is also largely shaped by the institutions which establish, in effect, the rules of the game. Before considering the relevant institutional

configurations, we will examine the main players, or actors, in the policy game. From a new political economy perspective, all actors in the policy process, including political and non-governmental actors, are assumed to be rational in the sense traditionally attributed to actors in classical economic theory, that is, their behaviors and decisions are based on the preferences, incentives, resources and limitations of each (Gamble, 1995). Evaluating each player in this light allows us to make predictions about their rational choices in the policy-making process.

1.3 Preferences and Resources: Players in the Urban Labor Policy Sub-system

One of the most powerful players in the policy-making game is the city's *Executive Branch*, typically the Mayor and his or her Cabinet. As an elected official, the electoral process by which s/he reaches political office and the degree of accountability s/he has to constituents or the political party backing him/her, will shape the preferences of the Mayor. Similarly, within the Mayor's Cabinet, each member will bring a set of interests and alliances to the game. A Mayor directly elected and eligible for re-election will have a different relationship with voters than a Mayor installed via political party negotiations and whose party will determine his/her next political appointment. (Ardanaz, Scartascini, & Tommasi, 2010) In addition, a mayor's own inclinations as well as his/her backing coalition – whether from the private sector, unions or civil society organizations – will shape his/her policy preferences and priorities. Finally, a city government has a substantial payroll, and policies designed to improve job quality and reduce precarious work will impact the city budget. As the city's executive, a mayor will have significant preferences as a major local employer and consumer of services.

A Mayor's resources are significant, including in most cases the ability to propose policy, assign relevant cabinet posts such as Labor Secretary, and a degree of command over political party priorities and votes. If the Executive leader was elected with a large degree of popular support, this is a significant political resource, but may also come with certain liabilities or limitations depending on the degree to which it leaves the elected official beholden to certain mobilized interest groups. Within the Cabinet, each member will work within the limits of the regulations that apply to that agency as well as its

assigned budget. The system of checks and balances will generally mean that the city's legislature will counterbalance the Executive, at times, and civil society oversight mechanisms may also prevent the Mayor's complete control over the policy agenda. Also, most cities rely on a degree of federal funding for programs, infrastructure and legal enforcement capacity creating boundaries for independent local policy action (Bardach, 1977). Finally, large metropolitan areas today are well-inserted into the global economy, and the ability to attract foreign investment may be a source of political capital nationally, but its pursuit may also restrict policy options locally, particularly around employment standards (Sassen S. , 2001).

Another significant and complex player is the city's *Legislature* (City Council, or Legislative Assembly). Much like the Executive, the incentives of the individual legislators will depend on the electoral process, their relationship with the electorate and with their party (Ardanaz, Scartascini, & Tommasi, 2010). Legislators dependent upon the direct vote of the citizens of their district will have policy priorities which reflect those of their constituents, whereas those whose careers depend on political party appointments will be more inclined to stay in line with party requirements (Elizondo, 2009) (Ardanaz, Scartascini, & Tommasi, 2010). Similarly, receiving organizational or financial support from private interests (businesses, unions or other organizations) will lead a legislator to consider their preferences when making decisions. The resources a legislator may bring to bear upon the policy-making process will depend greatly upon the structure of the legislative body; for example, a position on key policy-making committees may give a legislator significant power over the process, particularly committees that deal with labor policy design and oversight, voting procedures, and budget allocations. Legislators with certain key positions may act as veto players by denying a votes or resources to a policy designed to improve job quality (Tsebelis, 2002) (McNollgast, 1994).

Even within a local policy sub-system, the *Federal Government* is an important player. A federal government (and the individuals within it) will have policy preferences about how to stimulate employment in its major cities, which are frequently important national economic motors, which will make it an important ally if local and federal ideologies align. However, if it's political orientation differs from that of the local

government, its main incentive will be to ensure that local employment initiatives are unsuccessful, in order to avoid having a platform for competing policies. Whether the Federal Government plays in a cooperative manner or as an obstructionist, the game of receiving and distributing federal resources give the federal government a useful currency to exchange for cooperation on policy matters, particularly at the moment of implementation (Bardach, 1977).

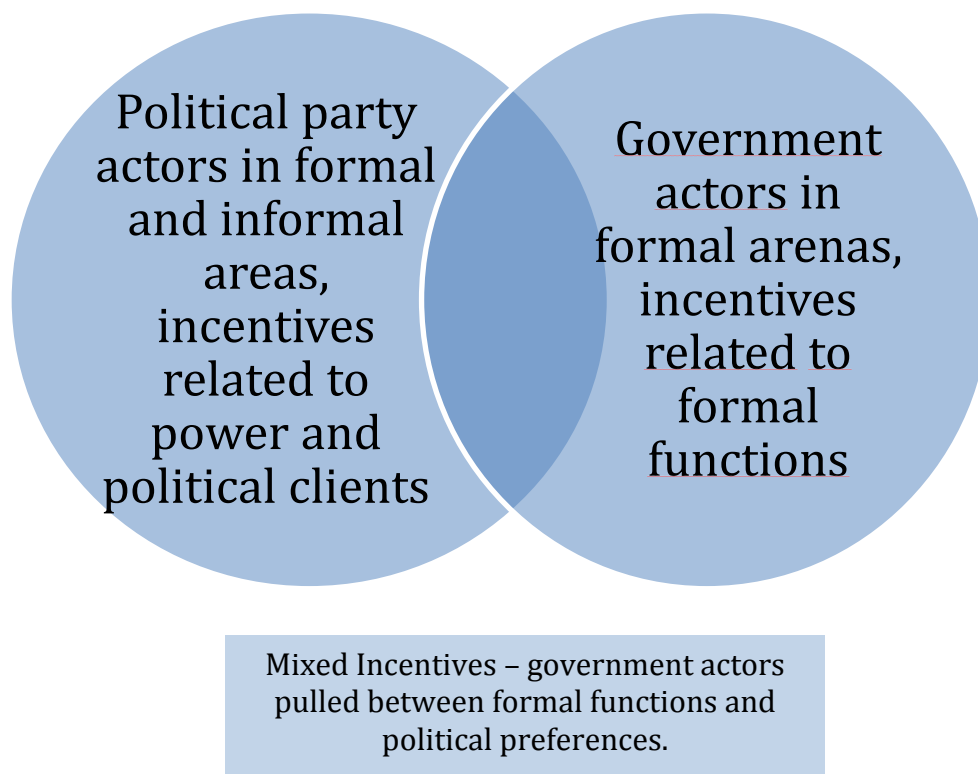
The *Labor Justice System* as a policy player may be part of the executive branch, the judicial branch, or both, depending on institutional arrangements of a given metropolitan area. Those who serve on the labor boards, the Attorney General's office, and courts which hear labor and employment cases carry out an important role in enforcing employment policy, however, their incentives to do so depend on their degree of independence and autonomy. Lifetime appointees are more likely to respond to professional and legal interests over political concerns, than are those who rely upon good standing with the Executive branch to maintain their post (Ardanaz, Scartascini, & Tommasi, 2010). On the other hand, a high degree of autonomy may lead to individual discretion and personal influences in how policy is enforced.

In addition, the matter of access influences autonomy and incentives in a legal system (Scartascini, Spiller, Stein, & Tommasi, 2011) (Elizondo, 2009). Given that the labor justice system typically deals with matters between workers, employers and unions, the degree of access each of those players is granted to the system affects its impartiality. If employers, with greater economic resources and organizational capacity, have greater access to the legal system than individual workers, then labor policy may be enforced in a way that reflects employer interests. In most cases, the Executive and the Legislature will also have an ability to rein in the labor justice system, through reduced funding or staffing, thereby reducing its capacity to act. Jurisdictional issues are also important for a city, given that at times labor law enforcement is in the hands of federal authorities, not local hands (Bensusan, 2008).

Similarly, the *Labor Bureaucracy* is an actor who, like the bureaucracy in most political sub-systems, is essential to the implementation of employment and labor policy. Over time, the public sector has grown and expanded to become its own player with its own set of interests. To a large degree, the bureaucracy main interest is self-preservation,

which creates a resistance to change (Ozlak, 1994). The degree to which these self-interests prevail over those of policy-makers will depend upon the degree of professionalization of the civil service, and the independence between career paths and loyalty to party or Executive branch leadership. Particularly in labor and administrative matters, bureaucracies have many constituencies formally inside and outside government, and as a result, weak incentives to prioritize accountability to any one in particular (Dixit, 1997). This creates space for informal, private interests to offer incentives; therefore it is important to examine the relationships that exist between the bureaucracy and its informal as well as formal constituents.

Fig. 5 – Mixed incentives of government actors



Source: Own elaboration.

There are important non-State actors in the policy-making process as well, in this case the two most relevant are employers and workers. Employers and businesses are

represented in the political process either directly themselves if they are large enough, or through interlocutors such as chambers of commerce, industry associations and other organizations. Workers may be represented by organized labor unions and those who are not unionized or who are outside the formal labor market, may be represented by civil society organizations. Civil society organizations may also represent other citizens' interests that touch labor policy, such as concerns for economic development, inequality and other social issues, and so workers may engage in the process in their role as workers or as citizens.

As a player, *the business community* has one overarching priority, which is to maximize its utility and minimize its costs. Beyond that, businesses may vary widely in their preferences as to how that is to be achieved, depending on their size, capital origin, and markets. Large national industries with domestic markets will weigh the expense of greater employment quality against the benefit of expanded domestic demand, while export-driven industries will prioritize cheap labor costs (Calderon & Dyer, 2009). Those national firms who have developed profitable and stable rent-seeking arrangements through privileged access to markets will oppose most attempts at policy reform in an effort to keep the status quo (Elizondo, 2009). Small and medium businesses face different challenges in complying with labor regulations than do large, well-capitalized firms and so the incentives to win the cooperation in developing policies for decent work will vary (Perry & Maloney, 2007). In addition, foreign investors will also seek different goals in policy-making. Those who invest to produce cheaply and export goods will resist measures to improve job quality while those who invest to develop a local presence and market will be interested in fomenting local growth as well as in low cost production. In the service sector, the parallel to this dynamic is that low-wage service sector employers compete based upon low wages, while the higher-skilled, advanced producer services or financial services join other segments of the business community in finding a balance between low wages and expanding local markets for their services (Sassen S. , 2001) (Mishel, Schmitt, & Shierholz, 2013).

This variety of preferences is reflected in the diversity of business organizations that exists in most modern urban centers. At a national level, this may manifest in a diversity of trade organizations with differing positions on open markets, free trade or

regulatory reforms (Calderon & Dyer, 2009). At a local level, as an example, in the janitorial industry in Mexico City there are five business associations representing employers' interests. The two most active, ANEL and ANBEL,¹⁰ have publically shown divergent preferences on matters of labor policy and regulation with the former representing newer cleaning contractors seeking to enter the market and the latter representing long-time contractors (Hanson & Lekuona, 2010).

As a rule, the business community's main resource in influencing policy is financial, having the money and human resources to develop lobbying efforts and relationships with legislators. While differing policy objectives and disputes may dilute their effectiveness, the ability of business, especially big business, to gain access to policy makers through political parties, legal strategies and financial support give it a significant voice in the policy process (Elizondo, 2009).

On the other side of the spectrum, *labor unions* are an important player with the stated objective of representing the interests of their membership (workers) in policy debates. The degree to which they do this, and therefore the shape of their preferences, depends upon the model of unionism and their partisan connections (Murillo, 2001). Most dues-based unions, especially local unions, have limited financial resources, or have limits on how those resources may be used, with the exception of labor organizations who receive patrimony from employers or city governments. Therefore, the resources a union brings to bear upon the urban policy process are largely numeric, meaning that larger labor organizations and those with highly mobilized members will have greater access to the policy process, as well as their channels of influence and ability to translate industrial power into political power (Streek & Hassel, 2003).

Valenzuela, drawing on Alessandro Pizzorno, describes five typologies of labor unions in capitalist societies¹¹, including three with interesting implications for a union's role as a player in the political game – a Social Democratic type, a Pressure Group Type and a State Sponsored type. A social democratic union will have a strong membership structure, internal democracy and strong bargaining skills, as well as close relationships

¹⁰ The *Asocacion Nacional de Empresas de Limieza* and the *Asocacion Nacional Bipartita de Empresas de Limpieza*.

¹¹ According to Valenzuela, the five types are – in democratic regimes, 1) the Social Democratic type, 2) the Contestatory type (fragmented with militant Communist and/or Catholic wings), 3) the Pressure Group type; and in authoritarian regimes, 4) the State Sponsored type and 5) the Confrontational type (repressed and atomized by government and employers).

with a party it may have established, without being controlled by it. Many European unions fit this model. The pressure group type may have a strong membership base, but its political ties are with a pre-existing party or parties, making its channel into the policy-making process weaker, but also giving it a credible threat to change party allegiance. As a player in the political game, therefore, it seeks to exchange electoral and organizational support for policy commitments, and relies on individual leader and membership priorities more than ideology to shape its preferences. The American labor movement is the principal example of this type (Valenzuela, 1991).

Finally, the state sponsored type has a labor movement that is sub-ordinate to the State, with a degree of codependency. While labor unions will have significant influence on policy, they are also reliant upon benefits from the state. This arrangement is functional as long as union members receive enough material benefits to accept the status quo and where there is a lack of competition from other unions. Union leaders rely upon good relationships with political actors within the government for their career advancement, but also must prevent competing leadership from arising within their membership. Balancing these two interests shapes the preferences these unions present in the political game, and also has a demobilizing effect on the membership so that while their numeric strength is often large, it is tempered by weak worker allegiances (Valenzuela, 1991).

This last model of union essentially describes the corporatist model of unionism, in which the labor policy subsystem is an arena for political exchange (Murillo, 2001) (Streek & Hassel, 2003). Unions may have a degree of influence over public policy through bargaining power, through party connections, or through representation in parastatal structures and agencies, where they may act as a veto player. This influence comes in exchange for the agreement to discipline its workers to accept regime priorities and sacrifice short-term interests for long-term stability, in other words access to instrumental tools are prioritized over expressive interests (Streek & Hassel, 2003).¹²

¹² Here Streek and Hassel refer to Alessandro Pizzaro's 1974 "Still the Century of Corporatism?"

At a city level, therefore, we must evaluate the nature of the unions who are policy players and assess the preferences and resources that each brings to the process in the labor policy subsystem. Those unions who represent public service sector workers will have a different set of interests than private sector workers, as well as a different level of access to policy arenas, formal and informal. Public sector workers may be content with the status quo and have little incentive to risk stable political relationships to advocate for improved employment conditions in poor-quality private sector, service jobs (Savage, 2006), while service sector workers themselves are likely to lack effective union representation (Streek & Hassel, 2003) (Savage, 2006). If those public sector unions are of the corporatist model, in particular, the informal channels of communication between union leadership and policy-makers will lead to restraint by the unions in challenging policy decisions (Murillo, 2001). In the policy-making process therefore, the interests of urban service sector workers may not be represented, despite having strong union actors in the political game.

Finally, *civil society organizations* (CSOs) are an increasingly active player in the policy process, though their power and influence may vary widely. Their preferences and objectives may be as diverse as the city populations' preferences for employment policy. While there may be exceptions, in general the poorest and most vulnerable segments of an urban area are the least organized, and many civil society organizations represent middle or upper class interests (Schattschneider, 1960). The resources a civil society organization has available to influence the local policy process depends upon its size, membership and organizational capacity. It is worth noting that civil society organizations do not have the same degree of legal recognition and representative standing as a union or business, which may limit their ability to act as an interlocutor.

1.4 Political Institutions and Policymaking

How these players interact, by what rules and who dominates the game depends on the institutions and arenas of the city's policy-making process. As described by Douglass North, "Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they

structure incentives in human exchange, whether political, social, or economic.” (North, 1990) At a national level, the relevant institutions for policy-making, including local policy-making, may be the nation’s constitution, electoral system or legal code and they may be structured in such a way as to foster cooperation, negotiation and compromise, or impede it (Scartascini, Spiller, Stein, & Tommasi, 2011). At the level of an urban political subsystem for labor and employment policy, the relevant institutions include the electoral system, the system of political parties, the economic model and the societal norms of clientelism.

One major institution of any government is the *electoral system* that brings decision-makers to office. As a first step, the reliability of elections, the definition of their procedures and regularity, and respect for their outcome, creates an institutional framework in which a city’s population understands the stability and predictability of its government (O’Donnell, 1996). As noted earlier, the method of election – plurality, proportional representation, others - will determine how closely the preferences of the public are allied with that of those elected (Mitchell & Simmons, 1994) (Tullock, Seldon, & Brady, 2002). Options for re-election will determine the degree of accountability of the elected official to its constituencies (Scartascini, Spiller, Stein, & Tommasi, 2011). The degree of support that the electoral system allows the winning candidates to demonstrate, determines their necessity to form coalitions with other parties in order to govern (Tullock, Seldon, & Brady, 2002), which generally creates restrictions for the government. In the case of the Mayor’s office, the support that s/he wins, along with the ideological makeup of the Legislature, in other words, the existence of a divided government and its degree, will determine the extent of cooperation that there is between the two branches of government (Ardanaz, Scartascini, & Tommasi, 2010).

Another key institution is the *system of political parties* locally, and by extension, nationally. In a representative government, parties are the channel through which citizens’ interests may impact the outcome of policy-making (Machado, Scartascini, & Tommasi, 2009). The degree to which political parties are stable, able to alternate power, and serve to aggregate the interests of the public will determine how closely their preferences align with the public and to what degree they are able to cooperate between themselves. The degree of discipline that a party is able to extract

from its members in government, and the manner in which discipline is enforced, will shape a party's role in policy making, both formally and informally (Ardanaz, Scartascini, & Tommasi, 2010). In some cases, parties will have a direct role in policy-making, in other cases they will serve to mediate between the Mayor's office and the city's Legislature (Ardanaz, Scartascini, & Tommasi, 2010).

Also important is the nature of political parties in the local political system (usually inherited from the national political system). In some cases political parties are programmatic, building support based upon their political orientation and accomplishments, and distinguish between themselves based on ideas and ideology about how to govern. In other cases, parties are clientelistic, building support based upon the distribution of goods and services to particular groups, in exchange for electoral support. These parties are generally successful to the extent that they can deliver on promised benefits to groups (Ardanaz, Scartascini, & Tommasi, 2010). Additionally, the party system may encourage parties to choose pragmatism over ideology to build support, opting to form alliances with competing parties to appeal to an additional voting base, reduce the number of candidates in the field and unite a voting bloc against another electoral competitor (Reynoso, 2011). Whether parties are programmatic, clientelistic or pragmatic, or a combination thereof, in a metropolitan area will determine their incentives and degree of collaboration to create effective employment and labor policy.

Some political institutions may not be part of the formal political system, yet be extremely influential. For example, O'Donnell describes *clientelism*, or particularism, as a set of codes of behavior and agreements that are widely known and accepted (O'Donnell, 1996). Others, such as Stokes, use a more specific definition, calling clientelism as the exchange of material goods for electoral support (Stokes, 2009). O'Donnell asserts that it is the effect of the informal rules of clientelism that accounts for the gap between the formal rules of political institutions and structures and the actual behavior observed by many actors in the political system, between the rules and the reality. In a local political system, if clientelism is a dominant institution or norm, policy-makers are more apt to adhere to the use of political power to delegate favors to those who supported (or will support) their electoral ambitions, rather than use that power in a manner which is representative of the public good (O'Donnell, 1996). This will have

repercussions in the preferences that policy-makers bring to the political game when considering labor and employment policy, leading decision-makers to have a greater interest in granting rewards to the actors who are most useful delivering votes (Stokes, 2009).

Finally, in metropolitan areas which fit the description of what Sassen terms a global city, the political game around employment policy is played within the boundaries of the prevailing *economic model* of a service-based urban economy. To be a global city implies a city that is not only integrated into a globalized economy, but also one that has become a central place where the work of globalization happens (Sassen S. , 2001). Both high-end and low-end varieties of the tertiary sector are found in urban areas with concentrations of capital due to globalization and local economies built upon the managing of the advanced corporate economy (Sassen S. , 2001), but remain segregated in terms in income and job quality.

In the case of the downgraded end of the labor market that develops in global cities, there are several reasons, including that basic institutional arrangements have been altered, leading to changes in employment relations and local labor markets. In cities (and nations) where services such as healthcare and others, were provided by the government, there was a high degree of regulation and these jobs were usually fulltime, stable and with corresponding benefits. As urban governments seek to withdraw from service-providing or restructure functions, for cost or ideological reasons, these jobs move into the private sector and become part-time, precarious and often without benefits.

“The historical obligation assumed by a government to enforce its own regulations covers a shrinking share of the workforce and an increasingly restricted set of labor markets. The recency of this transformation and the rapidity of the process of privatization has provided the conditions for a pronounced spread of part-time and temporary work, while the growth of these service industries further facilitates the expansion of this type of work.”

(Sassen S. , 2001)

Likewise, chains of production in the tertiary sector are moving into increasingly semi-regulated or under-regulated employment relationships, such as sub-contracting,

self-franchising, temporary or day labor, particularly in the enclave of the cities' economies focused on advanced producer services (Sassen S. , 2001) (Dean, 2011). These new economic developments do not match well with existing employment laws, leading to a regulatory fracture which affects job quality (Sassen S. , 2001). In the political game surrounding labor and employment policy, therefore, the model of a service-based urban economy presents challenges in reaching the coordination needed for effective policy-making. With increasingly complex and layered employment structures, the large number of players makes cooperation and enforcement difficult. As well, actors who are taking advantage of the regulatory gap have little incentive to close it and are afforded many points of entry into the policy-making process to obstruct change (Calderon & Dyer, 2009).

1.5 Political Arenas and Policymaking

In addition to the institutions which shape the making of city-wide labor policy, another determinant is the *arena* of the political game for urban employment and labor policy. As noted previously, metropolitan governments face a challenge in the matter of areas, since funding sources and legal jurisdictions dictate that as their policy-making processes frequently occur in multiple areas, at the federal and local levels, and possibly the state level as well.

However, there is another factor to consider about political arenas, such as its degree of formality. Scartascini and other NPE authors have shown that policy-making is most effective when it occurs in settings that are formal and transparent, rather than informal and opaque (Ardanaz, Scartascini, & Tommasi, 2010). By formal settings or arenas, we refer to those political structures and channels established by constitutions and laws, such as legislatures and their committees, executive and judicial actors. We also refer to the official mechanisms of policy-making, and its checks and balances, which has been the main focus of the majority of studies on public policy and its design and implementation. As such, the process by which a Mayor formally initiates legislation, the legislature debates, amends or approves it, and the local courts enforce it, all count as formal arenas for policy-making. From a citizen's perspective, formal participation in

this process would include expressing preferences through a political party, through voting, by lobbying around policy matters or challenging particular policies in the courts (Machado, Scartascini, & Tommasi, 2009).

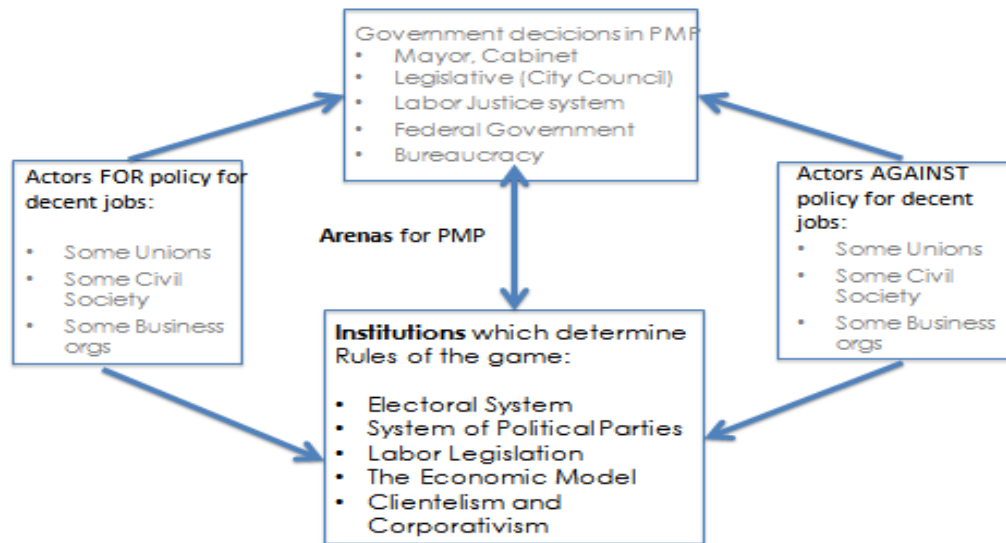
In contrast, policy-making may occur in informal arenas, particularly in nations or regions where formal institutions are weak or underdeveloped. Machado, Scartascini and Tommasi examine the degree to which weak governmental structures (high turnover, legislators with low capacity and expertise, etc) lead individuals to invest in what they call alternative political technologies (APT) – street protests, road blocking, bribes, violence – over the institutionalized road, such as voting, creating political parties, developing think tanks and advocacy efforts. They found, statistically and empirically, that individuals invest their political energies in APT to a significantly greater when they perceive formal institutions to be weak or ineffective (Machado, Scartascini, & Tommasi, 2009). This effect was even greater if there was measurable inequality in the public’s access to formal institutions. In addition, in places with weak institutions, political parties themselves more frequently invested in APT rather than formal policy-making channels (Machado, Scartascini, & Tommasi, 2009).

While in their ongoing work the IDB authors’ used street-level protest as a proxy for APT, they note that inferences may be drawn about other informal arenas of policy-making. For example, if clientelism is a strong institution, individuals and political parties may be similarly inclined to invest their energies there as a means to express their policy preferences (ie, bribes for the rich, protests for the poor¹³). This will have a notable influence on the incentives and preferences of actors in the policy-making process (Machado, Scartascini, & Tommasi, 2009). As a result, in the policy-subsystem around urban labor policy, there may be many actors who opt to use informal arenas such as back-room meetings for policy-making, shaping the process for all other actors as well. If key decision-makers and political parties keep political exchanges and bargaining informal and out of the public legislative committees, then access is likely to be limited, leading excluded actors, if they exist, to opt for protests and mobilizations as a

¹³ Machado, Scartascini and Tommasi refer to previous IDB works which discuss the set of alternative, or informal, political technologies available to differing income classes.

means to make up for a lack of power in formal arenas. The quality of the resulting policy will be affected, given the lack of cooperation and transparency in the process.

Fig. 6 - Balance of Power among Players



Source: Own elaboration.

1.6 Dual Role of Government in the Policy-Making Process

In developing this theoretical framework with which to examine the policy-making process for city-level employment and labor policy, we have discussed the characteristics of an effective and credible policy, the factors which encourage collaboration between actors, the preferences and resources of the principal actors in the policy-making process, and the institutions and arenas which shape the process. As a final note, we will note the dual role of government in the process of creating public policy.

On one hand, the State is a set of actors who have been formally appointed to carry out the policy-making process. As Mayors and members of the Executive, Legislators, members of the Judiciary and the bureaucracy, their effectiveness depends upon the institutions and arenas which shape their opportunities, responsibilities and boundaries. Their incentives are influenced by electoral systems, the system of political

parties as well as by their own ideologies, values and beliefs. As seen in Figure 2 above, these government actors operate in the overlap between the formal roles of their office or position, and the informal roles assigned to them by additional institutions and loyalties. The existence of weak formal arenas and strong informal arenas – or vice versa - will shape the decisions of government policy actors.

On the other hand, as seen in Figure 6, government itself is also a principal arena, in which a balance of power is established between business, union and civil society actors and the preferences they represent. While numerous policy options will exist to address a particular urban policy challenge – in this case encouraging the creation of good quality employment in a globalized, service-sector driven economy – it is the local government which serves as the space within which options are debated and actors bring to bear their power in an attempt to ensure their preferences prevail. This, in turn, has much to do with the political orientation and ideology of the government.

In addition to balancing forces between actors in the political game, the government serves as the arena which determines how external forces and institutions will affect the policy-making process. For example, in emerging economies, increased free trade and international sub-contracting often result in declining labor standards, particularly in cases with a high degree of sub-contracting and distance between the labor supplier and the final client (Mosley, 2011). Yet, as Mosley points out in her study on labor rights and multinational production, this is not always the result, and the state itself matters in how employment challenges are met and the nature of the employment generated. Domestic political factors will be as important as economic conditions in determining how the challenges of globalization, or a service-based urban economy with new employment modes, are filtered for local impact (Mosley, 2011).

Domestic political factors include how well legal norms are developed and applied, the strength of labor institutions, and the political orientation of the local government. In other words, a local administration operating within a Democratic regime, with policies designed to promote public welfare, strong labor market institutions and adequate legal enforcement - traditionally, marks of a Left government - will be an arena where the impacts of globalization will translate into an opportunity to create good employment. In the absence of these political conditions, globalization is effectively

unfiltered, allowing the actors who prefer low wages and few protections for workers to prevail in the policy-making process, and the quality of employment generated in an open economy will suffer (Mosley, 2011) (Sassen S. , 2001). A Left government is more likely reinforce the institutions that help equalize business and workers' interests in matters of job quality. For example, strong labor law enforcement permits the creation of unions for service sector workers as a counterweight to employers' voices in policy debates. Active labor market institutions such as adequate minimum wage policies and macroeconomic policies that foster healthy labor markets also allow a more equitable balance between socioeconomic actors to participate in the labor policy-making arena (Kucera & Roncolato, 2008).

However, given the diversity of models of Left governments in Latin America (Weyland, Madrid, & Hunter, 2010) (Filgueira, Reygadas, & Luna, 2012), at both a national and local level, not all will ensure an effective arena for policy-making in the public interest. The characteristics of some Left governments will make them inclined to rely upon social policy to address the effects of poor job quality, rather than on labor policy to create good jobs (Filgueira, Reygadas, & Luna, 2012), particularly if the actors and interests opposed to policies supporting job quality remain more powerful than other interests. As Huber and Pribble argue, this will depend upon the qualities of the parties that comprise a government (Pribble & Huber, 2011). The ideology of the left party's leadership, its organizational characteristics, the strength of its opposition and the policy legacy it inherits will shape how ambitious an agenda the government undertakes to address employment and other matters, as well as what actors and interests participate in the policy process (Pribble & Huber, 2011).

Some left parties are of a professional-electoral bent, seeking votes from civil society actors, but discouraging their participation in policy-making, and with leaders who advocate free market solutions as well as state solutions to job quality challenges. Other left parties may be termed mass-organic, with strong ties and accountability to unions and other mass-based organizations. Both characterizations hold implications for the policy-making process – governments led by mass-organic left parties may have power shared among many actors and interest groups, meaning that many veto actors can impede reforms, whereas those led by professional-electoral left parties have power

concentrated away from rank and file organizations, leading to policy solutions driven by elite interests (Pribble & Huber, 2011), particularly if a lack of organizational support leads the party to rely on economic interests for funding (Huber, 2010). As well, the strength of the opposition may determine what interests prevail in the political game. A strong and mobilized right wing means the left will need to ally with center parties to govern, limiting the range of policy solutions and granting greater access to the policy-making process to conservative or competing interests. In contrast, a fragmented right means a left party in power will have greater control over the policy solutions adopted, and the actors in favor of improved job quality will have less competition in the policy arena (Pribble & Huber, 2011).

Therefore, in its role as the arena in which the political game occurs, and within the role assigned to it as a sub-national government, a city government should be effective in creating a balance of power between socio-economic actors and should also act as a filter for external influences such as globalization or new economic developments. To do so, its political orientation must foster a degree of equality between actors in terms of access and influence in the process. This is most likely to occur in left governments whose ideology and structures lead them to pursue publically-oriented policies, as well as develop strong labor market institutions and local legal enforcement capacity; and where the political opposition does not create excessively narrow boundaries for policy options. Understanding that in the complex labor policy subsystem of a dynamic, modern city there will be a wide range of interests and outside pressures, an effective arena of government is one that fosters sufficient cooperation between actors for effective, credible policy-making to support good jobs

1.7 Variants on the Political Game for Urban Labor Policy

Given the range of actors, institutions and arenas in the policy-making process that may vary from setting to setting, it is worth honing in on those that are most relevant to the labor policy subsystem. There are three variants of the political game to be considered related to employment quality and public policy in a city:

1. **The orientation of government players, or the presence of private interests**

Considering that the government has a dual role in policy-making – as both a player in the political game, and as the policy-making arena which should create balance of power between other players - the orientation of the government is particularly important to the policy-making process. In particular, the nature of political parties and the orientation of the government in office will affect the decision-making process of key government actors. Whether a government is led by a Left or Right party, and if Left, the model of Left party (Pribble & Huber, 2011) (Weyland, Madrid, & Hunter, 2010) or the dominant internal tendencies of the party (Bruhn, 2010), will determine the extent to which matters of employment quality in the service sector are addressed via social policies or labor policies, ie, in ways that alter the status quo in unequal societies or not (Filgueira, Reygadas, & Luna, 2012).

2. **The degree of institutionalization of the policy making process**

The degree to which the institutions, arenas and practices of policy-making are formal, and the strength and functionality of those institutions, in a city will affect the political game surrounding its labor policy subsystem. Strong formal political institutions such as effective legal systems and enforcement mechanisms address the differences in power between actors and foster conditions for cooperative policy-making between actors, whereas informal or irregular practices may not (Machado, Scartascini, & Tommasi, 2009). In developing nations, the impact of formal political rules on policy-making may be less than in developed nations, affecting the credibility of policies (Caruso, Scartascini, & Tommasi, 2010). As noted, the economic model of a service-based urban economy introduces new players, such as contractors and service providers, into the policy-making process, and deregulation creates new enforcement challenges and policy gaps. If political institutions are weak, policy-making is often disconnected from evaluation, implementation and enforcement efforts, affecting the credibility of policy and without significantly altering the status quo.

3. **Unions as players**

The presence of strong and independent service-sector unions, and a strong representative labor movement in general, as players in the policy-making process will change the nature of the political game (Calderon & Dyer, 2009). As noted, the type of union will determine to what extent it represents the interests of service-sector workers, as well as the manner in which it accesses the policy-making process (Streek & Hassel, 2003). This may be determined by examining the labor history of the city, including the trajectory of its major public and private sector unions (Elizondo, 2009). It will be important to examine the degree of access a democratic union has to formal policy arenas (versus only minor influence at the margins) and to informal policy arenas (Calderon & Dyer, 2009). Moreover, it is relevant whether workers have the freedom to establish new unions of their choosing if they desire, as well as the degree of fragmentation and dispersion, or influence, in the region. In cities where an independent, worker-led service sector union has become a powerful voice in policy-making, there is more likely to be city-wide employment policies which promote the creation of decent jobs in the service sector (Milkman, et al., 1996).

2. Methodology for the study

In terms of methodological design, this study will carry out a case study of Mexico City, in two parts. One part will look at the decision-making process as related to labor and employment policy overall in Mexico City, with particular attention paid to its decision and policy-making process in connection with the above-described variants. The second part will take the janitorial industry as a unit of observation and will trace how the decision-making process plays out in illustrative segment of the low-wage service sector. Mexico City makes an appealing subject for a case study for several reasons – one is its sheer size and significance. As one of the largest metropolitan areas in the hemisphere and the world, Mexico City matters, with policy decisions affecting directly and indirectly upwards of 20 million people. Moreover, its experience reflects that of many large, global cities, particularly those in nations in development, with a thriving service sector economy co-existing with a lack of quality employment. As the world economy becomes increasingly interconnected and service-driven, cities have a

special role as hubs in the global economy, filtering the impacts of globalization, new employment modes, outsourcing and other phenomena, yet frequently face jurisdictional limitations on their policy-making process within their countries. Mexico City is a good representative of this urban dilemma.

Finally, as a city governed by a party which identifies as being on the left of the political spectrum for 16 years, Mexico City has a leadership body with a strong discourse of lessening inequality and creating greater democratic and economic opportunities for its most vulnerable and disadvantaged populations. After a decade of campaigning against the neoliberal policies of the PRI, the new PRD administration, after winning the nation's capital, was given the opportunity to put its proposals and principles into practice. More than in a city governed by conservative or neo-liberal administrations, it is reasonable to expect that this urban government is especially inclined to develop policies that foster quality employment. As such, complicating variables, such as an ideological opposition to government programs or intervention in labor markets, are eliminated, allowing us to isolate for the dependent variables we wish to examine.

As taken above, the political game, using the new political economy framework, will understand the output of the decision-making process – the existence of a given public policy, in this case labor and employment policy - to be the result of the political system's basic institutions, its arenas for policy debates, and the actors who participate in the game. Rather than evaluate the content or technical qualities of a policy as a predictor of its success, this framework will look at the preferences, resources and limitations of the actors in the process and the rules of the game, which determine the characteristics of the final policy and whether or not agreement on policy measures may be reached.

As implied by the description of the variants of the political game, we will start with the premise that key variables in the policy-making process for labor and employment policy are private interests of players in the political game, the formality or informality of policy-making and union presence. As such, our hypothesis is:

The presence of a policy to promote quality employment in the service sector at a local or city government level is correlated with:

- 1) The degree of public oriented-ness of the interests of the major players in the policy-making process (as opposed to the pursuit of private interests.).
- 2) The degree of institutionalization of its policy-making process.
- 3) The presence of strong, independent and democratic unions as actors in the city's policy-making process.

The unit of analysis to be observed is the set of public policies in Mexico City, particularly those connected to labor and employment policy and job quality.

2.1 Operationalization of the variables

Dependent Variables: The lack of a policy to promote quality employment in the service sector at a local or city government level,

- A) In its role as a regulator, referring to a consistent and universal application of existing labor laws to employers in the service sector.
- B) In its role as a consumer/client, referring to a fair and transparent bidding process for service providers on city contracts, ensuring that employment dependent upon public resources includes mechanisms to ensure compliance with all labor and fiscal legal obligations.

Conceptualization: Many programs and policies related to labor and employment may be construed to impact job quality, while masking a lack of credible government action in this specific component of employment. For a policy to be considered successful, regardless of its content, it must first be considered **credible**, meaning the policy is perceived as being pertinent to the issue, permanent and enforced (Scartascini, Spiller, Stein, & Tommasi, 2011). A policy completely lacking in credibility cannot be successful, and is essentially non-existent.

Operationalization: Credibility may be measured by the following characteristics or indicators:

1. *Degree of stability or predictability.* Is the city's application of labor laws consistent? Or is it sporadic and dependent upon individual efforts or interpretations

of regulations? Is the bidding or hiring process for city services clearly stated, transparent and open to all?

2. *Adaptability vs. rigidity.* Can the policy/policies be adjusted if needed to improve their effectiveness?
3. *Degree of coordination and coherence across the government.* Do these policies contradict other policies or practices and if so how is this addressed?
4. *Quality of implementation and enforcement.* Are the policies properly implemented?
 - a. Is the policy self-enforcing based on the incentives of the players (for example, are employers rewarded for following labor laws? Do city officials have incentives to seek responsible contractors for service contracts?)
 - b. Or is the legal system able to objectively enforce it?
5. *Orientation towards the public interest.* Are the policies designed to address public needs rather than private interests?

Independent Variables:

Independent Variable 1: The public oriented-ness of the interests of the major players in the policy-making process.

Conceptualization: Refers to the interests motivating the main actors in the policy-making process. For example

- 1) In a setting where government actors, within a political system that has always leaned towards clientelism, are more responsive to the preferences of their political parties and electoral expediency than to the long term needs of the city, the prevailing interest is oriented towards social spending and programs rather than towards improving job quality and labor law enforcement.
- 2) In an era where local governments are subcontracting public services and using new employment modes as cost-cutting measures, the prevailing interest is oriented towards managing the processes of bidding and sub-contracting in such a way as to maintaining a competitive model based primarily on low wages.

Operationalization: A policy may be considered to be publically oriented according to the following indicators:

1. *Reflects the interests of all the affected parties*, rather than only the interests of the most powerful or dominant actor. This means organized and unorganized workers, diverse segments of the business and labor communities and the public, as well as government actors.
2. *Protects public resources and institutions*. Incorporate protections to ensure public resources are spent effectively and efficiently.
3. *Upholds the rule of law*. Incorporates protections to ensure all that existing laws are respected and enforced in the implementation of the policy.
4. *Is congruent with other policy goals*.
5. *Pursues general well-being and protects public goods*. Seeks to maximize utility for the greatest number of citizens without infringing upon public goods (including social and labor market institutions).

Independent Variable 2: The degree of institutionalization of its policy-making process.

Conceptualization: Refers to the capacity of the government decision-makers, civil society and interest groups to use legally and formally constituted policy-making channels to create effective policy, as well as to implement it credibly and effectively.

Operationalization: a policy-making process that may be considered well-institutionalized will reflect the following indicators:

Indicators:

1. *Formality of the policy-making setting*. Are policy decisions considered in a public, institutional setting, or informally, in private “backroom” meetings or in the street?
2. *Institutionality*. Do the structures intended to create, evaluate and reform policy function as such? To what extent do actors in the political game rely upon the formally designated structures to pursue policy interests?

3. *Access to policy-making channels.* Is decision-making restricted to a small group which excludes some affected parties? Are new political actors able to emerge and engage in policy-making?
4. *The capacity and will of institutions to enforce policy decisions.* Do policy decisions reflect current laws and legal frameworks? Once created, are policies enforced adequately so that the behaviors of those involved are changed appropriately? May political actors rely upon policy decisions to be upheld and enforced?

Independent Variable 3: The presence of strong, independent and democratic unions as social actors in the city's policy-making process.

Conceptualization: A union is an organization of workers, united to defend the interests of those workers through collective action and negotiation. It may be considered an actor in policy-making if it is involved in the initiation, development and implementation of policy.

Operationalization: A union may be considered strong, independent and democratic based upon the following indicators:

1. *Existence.* Are there legally-registered organizations of service sector workers in the city?
2. *Size and strength.* How many workers are dues-paying members of the union(s)? What is the union's density and numeric strength among the workforce affected by policies under consideration?
3. *Independent.* Was the union organized or chosen by the workers themselves or selected by the employer, the government or another actor?
4. *Democratic.* How are the leaders of the union chosen? Are they appointed or elected by the membership? Does the union have elected shop-floor level leadership? Who negotiates the union's collective bargaining contract and how?
5. *Presence.* Is the union engaged in the policy-making process in some way, such as through negotiations with the government over stipulated conditions in public-sector

contracts, or as an advocacy organization (special interest group) while policies are debated?

In summary, this study will use the concept of the political game, using the new political economy framework, to break down the decision-making process in Mexico City, in order to understand why it has yet to develop an effective labor and employment policy. This theoretical lens will allow us to see how the basic institutions of the city's political system, its arenas for policy debates, and the actors who participate in the game determine whether or not adequate policy reforms become feasible. To do so, we will look at the preferences, resources and limitations of the actors in the process and the rules of the game, which determine the characteristics of the final policy and whether or not agreement on policy reforms may be reached. Applying this framework to the decision and policy-making process in Mexico City, and using the janitorial industry as a illustrative segment of the service sector within which to observe how the political game is played, we test the relationships between the variables, anticipating that the ineffectiveness of Mexico City's current labor and employment policy in the service sector may be directly related to the lack of strong, independent and democratic unions as actors in the city's policy-making process; weak institutionalization of its policy-making process and a lack of public oriented-ness of the interests of the major players in the policy-making process.

Chapter 3

Case Study - Decision-Making in Mexico City: the variables of the labor policy sub-system

In this chapter we will now look at the case of Mexico City and its ability – or inability - to develop a labor and employment policy that successfully addresses the job quality challenges presented by a growing and complex service sector economy. As noted, this largely depends upon city’s policy making process and how the political game plays out among the most relevant actors. Therefore, we will first look at the decision-making process in Mexico City and the variables which affect it. In the next chapter we will then apply the political game framework to the specific case of the city’s janitorial industry, as an illustration of how Mexico City’s government addresses job quality issues as both a regulator and as a client of the cleaning industry.

1. The political game in Mexico City: Main Actors and their Incentives, Preferences and Resources

The policy-making process, in general, in Mexico City is shaped by its actors, and the preferences and resources each brings to the political game. Most policy in the city is the result of how these actors interact and influence each other over time. The government itself is clearly a principal actor in policy development, playing - as we have noted – the dual role of player in the policy process, and providing the arena in which the asymmetry of power among non-government actors is balanced for their participation in the policy process. Any government is diverse however, and within it is a set of key players which will determine its overall behavior in the policy-making process.

The key actors in the policy process may also be known as the key stakeholders in a particular policy issue, and there exists several methodologies for systematically mapping stakeholder positions. Our theoretical framework, based on the writings of Scartascini and other IDB authors looks at the preferences, incentives, resources and limitations of each player. A stakeholder analysis may be a deeper and more complex analysis of the degree of interest a player has in a particular policy or program, their

degree of influence or power, their resources and ability to mobilize those resources, their position on the matter and the degree to which a policy or programs will affect them (Schmeer, 2000) (Brugha & Varvasovsky, 2000) (Mitchell, Agle, & Wood, 1997). There are several models of stakeholder analysis with differing scopes, and the appropriate model will depend on its use as a policy tool – whether one is developing a strategy to implement a proposed policy or program, or as a retrospective look at the policy process to an input to policy analysis (Brugha & Varvasovsky, 2000). It is useful for a stakeholder analysis to have both a degree of objectivity, as well as an understanding of the overall system in which the players operate (Schmeer, 2000), which as we saw in Figure 4 are influenced by the city or nation’s history and basic institutions. As such, here we will examine each key player in terms of their personal and institutional backgrounds and summarize their preferences, power, resources and limitations related to the policy process in Mexico City.

1.1 The Executive Branch

Leading the executive branch currently is the Mayor of Mexico City, Dr. Miguel Angel Mancera Espinosa. As the *Jefe de Gobierno*¹⁴, or Mayor, Dr. Mancera’s office is responsible for initiating laws and decrees to present to the Legislative branch, as well as executing the laws which pass the Legislature. The mayoral office also has exclusive authority to name and remove members of the cabinet who lead the various agencies of the city, as well as the city’s Attorney General. The office is responsible for directing the public security forces and managing the city’s financial resources, in particular, the resources raised locally through taxes as well as resources received from the federal government. Within the Executive Cabinet, the key appointments made by the mayor related to the labor policy sub-system are the Secretary of Labor, who has the responsibility for overseeing the implementation of labor and employment policies; and to an extent, the Chief Administrator of the city and the Interior Secretary. The Mayor

¹⁴ *Jefe de Gobierno* translates to Head of Government, and is somewhat distinct from *alcalde*, the literal translation of Mayor. However, as the leaders of large cities are usually known as Mayors in English, I have opted for this translation.

also selects the President of the JLCA, though this appointment must be approved by the Federal government. Less directly relevant but of interest as well, is the Secretary of Social Development.

In 1997, the Federal District of Mexico City was granted greater political autonomy and its residents were for the first time allowed to elect their own government, Mayor and the Legislative assembly. Ever since then, both have been controlled by the PRD. Mexico City was in fact the first major territory that the PRD won from the PRI, a fact that shapes how its Mayors have approached their office and the responsibilities of government. The first Mayor was Cuauhtémoc Cardenas Solórzano, a leading figure of the Mexican left who separated from the PRI in 1988 and, with others, established the PRD in 1989. As the PRD's assumption of power in Mexico City coincided with its growing autonomy from the federal government, Cardenas and the PRD set the tone for the new direction the city was to take in terms of policy-making.

As Cardenas built his new administration, he relied upon longtime collaborators from within the PRD to fill key cabinet positions, valuing loyalty as well as experience in creating a team (Bruhn, 1998). He sought to address the pent-up demand from civil society for greater political participation while striving to ensure that investors did not flee from the city with the onset of a leftist administration, as well as developing a political base with which to maintain support for the new government (Bruhn, 1998). While Cardenas had opted to leave the PRI, that party did shape his political formation and many observers have noted that the PRD's intentions were more squarely focused on breaking up the PRI's monopoly of power, rather than creating an alternative political model (Bruhn, 2010) (Martinez V. H., 2005). As a result, many of his choices were politically cautious, particularly in regard to labor and social policy.

Cardenas did not have a background close to unions and associated them with the PRI's corporatist structure, which he distrusted. One associate describes a conversation with Cardenas after he assumed office, where he recounted his negative experiences with the national PEMEX union and his concerns about making the business sector nervous with too radical a position on labor issues (A. Alcalde, personal communication, Nov. 14th, 2014). His selections for labor-related positions reflected a desire to maintain the status quo and a preference against new policies. On one hand, he appointed PRD

militant and labor activist Saul Escobar Toledo as Labor Sub-Secretary, while also opting to appoint Jose Francisco Becerril Mendoza, a labor bureaucrat from Toluca with a history of peaceful relations with the business sector, as the President of the local Juntas. Under Becerril, the JLCA registered modest technical improvements in matters such as transparency, with records and collective bargaining agreements more readily accessible, but no change in terms of the Juntas ability or disposition to enforce labor rights. Meanwhile, Escobar, a long-time collaborator with Cardenas in the creation of the PRD, openly described the limitations of his office in an interview, stating that while he was technically given relative freedom to address matters of labor policy, in practical terms he was held back by a small budget, a staff of inspectors riddled with corruption established in previous administrations, and the fact that his office was still not a full Secretariat (S. Escobar Toledo, personal communication, January 21st, 2014). During his time in office, some main accomplishments were to sign an agreement with some of the main supermarket chains to regulate the use of youth labor as grocery baggers, and to eliminate some of the worst instances of corruption and extortion among the city's labor inspectors. In other words, during the Cardenas administration, stakeholders with power, such as Cardenas, and to an extent, Becerril opposed changes in labor policy which might have included job quality policies, while the player who supported such changes, Escobar, was limited by a lack of political and financial resources.

Cardenas appointed Clara Jusidman as Secretary of Health, Education and Social Development (later to become simply the Secretariat of Social Development), a widely respected intellectual with a background with civil society and development organizations. As a fledgling agency, her office had few resources but began the process of identifying certain vulnerable groups within Mexico City and developing social service programs to assist their particular needs, creating some of the necessary legal frameworks that would set the stage for future social policies.

An additional challenge faced by Cardenas was the need to keep the PRD united as it made the transition from opposition to ruling party in the city. Long known as the “sun” around which rotated the various stars in the PRD's constellation of currents and factions, Cardenas had an interest in maintaining the support of the largest and most powerful factions of the party, while at the same time being responsible for developing

policies that would build electoral support. Unable to rely upon the corporatist structures established by the PRI as an electoral base, under Cardenas' leadership the PRD began developing popular social programs, which allowed the party to reach out to unorganized voters as well as to distinguish itself from the Federal PRI government.

In 2000, Andres Manuel Lopez Obrador became the PRD's next Mayor of the city, an office he would hold for 6 years. Lopez Obrador, also a former leader of the PRI who broke away to form the PRD, brought many of the same incentives and preferences to the city's Mayoral office, particularly with regard to labor issues. However, political issues between the two actors arising from Cardenas' subsequent run for the Presidency, meant that Lopez Obrador removed all previous political appointees and began with a new cabinet, again filled largely with longtime collaborators (S. Escobar, personal communication, June 17th, 2014). Lopez Obrador's consideration of union and labor rights was largely limited to seeing them as actors representing state workers and, as described by a member of his Cabinet at the time, his main labor policy decisions dealt with his administration's internal labor policy with the union of city employees, SUTGDF (B. Lujan, personal communication, June 18th, 2014). Lopez Obrador saw negotiations with the city workers union as a tradeoff with other policies he prioritized, such as an austerity program to reduce city expenses. He developed a steady approach to dealing with the union, establishing a yearly wage increase of the rate of inflation plus 2% for city employees, while also establishing the pattern of making new hires on temporary, short-term or irregular contracts, often without benefits, which both lowered labor costs and kept these hires from joining the ranks of the union (J. Ayala Rivera, personal communication, March 18th, 2014) (B. Lujan, personal communication, June 18th, 2014) (S. Escobar, personal communication, January 21st, 2014). The relationship between the city employees union and the Lopez Obrador Administration overall was strained, to the extent that there was a strike in 2002, technically over violations of the unions collective bargaining agreement, but also largely due to a perceived lack of respect from the Administration towards public employees and their work (Baltazar, 2002).

Outside the public sector, Lopez Obrador did not develop a labor policy that would address freedom of association concerns or job quality matters, opting instead to

prioritize social policies (B. Lujan, personal communication, June 18th, 2014). Within his cabinet, he appointed Benito Miron Lince as the Labor Secretary for the city, and Jesus Campos Linas as the President of the Juntas. Miron had a history of leftist activism, associated with certain civil society organizations such as the Frente Francisco Villa, the Zapatistas and leftist lawyers associations but few ties to any particular faction of the PRD or the labor movement in general. Campos Linas was chosen based on an agreement with the National Association of Democratic Lawyers (ANAD), who were asked to nominate a candidate and selected him (A. Alcalde, personal communication, June 20th, 2014)(B. Lujan, personal communication, June 18th, 2014).

Miron focused largely on administering federal programs within the city, such as training programs and job fairs, while also creating his own PRD faction with which he later ran for the Mayor's office himself, implying that his incentives lay more with political advancement than with creating changes to current employment policy. As well, his financial resources were limited, as the office remained a Sub-Secretariat during this time and the budget allocated to this office did not grow appreciably (Canto, 2013). Campos Linas meanwhile, according to ANAD colleagues, developed a very cautious approach to leading the Juntas, preserving the status quo and leaving much of the day-to-day management in the hands of longtime staff, some of who had family or political relationships with the CTM and other PRI-affiliated unions and who did not challenge either corruption in the Juntas or the status quo in general. Early in his tenure, the Mexico City Public Security force was granted a new union registry against the wishes of Lopez Obrador, leading to a conflict between the two actors, and labor lawyers close to the working of the Juntas feel that after that incident, Campos Linas' preferences lay with avoiding further conflict with the mayoral office (A. Alcalde, personal communication, Nov. 14th, 2014).

In contrast, Lopez Obrador appointed a close associate as Secretary of Social Development, Raquel Sosa Elizaga, a PRD militant from the same faction as himself with essentially identical political incentives and preferences, for the first 5 years of his Administration (three others would hold the office in the 6th year). During these years, the budget dedicated to social programs increased significantly. With Sosa, Lopez Obrador developed several new social policy initiatives, the Universal Pension for Senior

Citizens being the most prominent, as well as programs for disadvantaged children and single mothers, and building several new schools and hospitals.

Much like Cardenas, he faced the political necessity of developing a popular base and to maintaining party unity though as his faction dominated the Legislative Assembly this was a lesser consideration. He later left the mayor's office to seek the Presidency, implying that he also sought to develop a national platform and base of support. Based on these preferences, he and Sosa greatly expanded the city's social programs, justifying their expense as being offset by the fiscal savings created by the city's austerity program at the bureaucracy level. Both reasons left policies in favor of improved job quality in the service sector low on the list of preferences of this Administration. Overall, during the Lopez Obrador administration, there was no stakeholder in the executive with a strong preference to address deficiencies in labor policy in Mexico City. While Campos Linas and Miron may not have been personally opposed to such efforts, they remained neutral or inactive on the matter, due to a lack of political resources as well as competing career incentives. Lopez Obrador was opposed to such policies, and was able to use his significant political power prevent other actors from diverging from the status quo.

The next PRD Administration, entering in 2006, was led by Marcelo Ebrard Casaubón. Ebrard was also a member of the PRI in the past, leaving in 1995 to form an alternative political party, and then later joining the campaign of Lopez Obrador for mayor in 2000. He served in the Lopez Obrador Administration first as the Head of Public Safety and later, briefly, as the Secretary of Social Development. Similar to previous Administrations, Ebrard brought few relationships with organized labor to the position and took little to no policy action on the matter of job quality. In fact, perhaps as a signal of his intentions to maintain the status quo, he left the same key labor policy actors in place, keeping Miron as Secretary of Labor (the office did become a full Secretariat during this time, though its resources were not increased) and Campos Linas as the President of the JLCA. As a result, the configuration of stakeholder positions and power within the Executive during this Administration looked much like its predecessor.

As Secretary of Social Development, Ebrard appointed Marti Bartes Guadarrama, a former student activist who was a political protégé of Rene Bejarano and part of his current of the PRD, known today as the National Democratic Left (IDN) (V.H. Martinez,

personal communication, June 18th, 2014). The IDN, or *Bejeranos*, initially closely allied to Lopez Obrador, dominated the city's legislative branch and several boroughs throughout the Administrations of Lopez Obrador and Ebrard. With this powerful political backing, Batres was close to the internal workings of the PRD, and as he later developed his own political current and ran for mayor, it appears probable that his incentives in policy-making were influenced by career aspirations. Under the Ebrard Administration, the Social Development budget continued to increase. The popular Senior Citizens Programs were maintained and expanded, and additional programs in the area of education, health and housing were added. (Yanes, 2013)

Importantly, the Ebrard Administration initiated the Unemployment Insurance program, described above, which was perhaps the most significant contribution to labor policy by the PRD in the city, though it was in many ways more an element of the city's social policy and, as we have noted, not necessarily a program designed to address labor standards or job quality. Indeed, the Unemployment Insurance program came to dominate the Secretary of Labor's budget, drawing resources from other areas such as training and labor protection, as studies by EvaluaDF have shown (EvaluaDF, 2013).

Finally, Dr. Mancera became the current mayor of Mexico City as a candidate for the PRD, although he is not affiliated to the party. Within the PRD, he has developed his own current and many of the agencies and important Executive branch offices are filled by others associated with this faction of the party. Given that the PRD holds a majority in the Legislative Assembly of the city (34 of 66 members) and that the PRD's bench leader has a cooperative relationship with Mancera, in theory Dr. Mancera holds nearly unlimited political resources to use in the political game. However, within the PRD, members of the opposing current IDN still hold considerable power within the Legislature, forcing Mancera to negotiate (Castillejos, 2014). In the other direction, Mancera appears to maintain a cooperative relationship with elements of the PRI's federal government, perhaps to a greater extent than previous PRD Administrations (I. Gonzales, personal communication, Feb. 27th, 2014).

Within the Executive Branch, the Chief Administrator Edgar Armando González Rojas, is responsible for designing and overseeing the management of the City's agencies. His background in public service reflects experience in many agencies,

including at the city's Attorney General's office with Mancera before assuming his current post. His positions and incentives appear to be closely aligned with those of Mancera. While his participation in the negotiations with the city's public sector union was essential, it contrasts sharply with his tepid engagement with civil society organizations around issues of sub-contracting and working conditions for the city's sub-contracted janitors. For example, in a forum on sub-contracting at the ALDF on November 4th, 2013, Gonzales Rojas sat on stage while listening to the testimony of a sub-contracted janitor in city buildings, Angela Olvera (see text box pg. 5), yet during his presentation mentioned the issue of outsourcing only briefly. Given that his office is empowered with developing policies related to public administration, including the rules and regulations for the procurement of services in the city, his disinclination to discuss such policies in a public forum convened for that purpose reveals a weak preference, at best, for policy reform in this area.

As Secretary of Labor, Mancera first appointed Carlos Navarrette Ruiz, who left the position after less than one year to run for the national leadership of the PRD, and in January 2014 replaced him with Patricia Mercado Castro. Mercado is not from PRD ranks, having been a past presidential candidate for the former Social Democratic Alternative Party, in 2006. Her background is with elements of the independent trade union movement as well as civil society and feminist organizations. In public events, such as an EvaluaDF event on February 19th, 2014, she has expressed an interest in improving labor policies in the city, including what the Secretariat can do "at home" in terms of her own agency's purchasing and acquisitions policies, as well as developing policies which address informality and will improve employment quality for women and vulnerable workers (P. Mercado, personal communication, Feb. 19th, 2014).

While Mercado's policy preferences appear to be in favor of policy reform, the resources of her office continue to be limited in some significant ways. As an appointee by Mayor Mancera, she will need to play the political game in such a way that she maintains his support. Moreover, as she is not a member of the PRD, it is unclear what factions of the legislature she can count on for support. One political ally is Salomón Chertorivski Woldenberg, the Economic Development Secretary (P. Mercado, personal communication, Jan. 20th, 2014), but other key agency heads have ties to PRD currents

which could motivate them to oppose policy changes within the Administration. Moreover, the budget for the Labor Secretariat remains small, a mere 1.6% of the city's 2014 budget (MXN\$856,913,467 or US\$65,554,400), of which over half is earmarked for the unemployment insurance program.

The President of the Local Labor Board (JLCA or "the Juntas"), Margarita Darlene Rojas Olvera, was appointed to her post shortly after Mancera's inauguration. She, along with several other high-level functionaries within the Juntas, previously worked in the administration of the Iztapalapa borough, the largest political district in the city and an important power base for the PRD (G.R. Ramos, personal communication, March 10th, 2014). She is married to the representative of the current Iztapalapa borough, Jesús Salvador Valencia Guzmán, who is a significant and controversial political within the city. Some have speculated that her appointment to this position was exchanged return for electoral support from Guzman to Mancera during his Mayoral campaign (A. Alcalde, personal communication, Nov. 14th, 2014), others imply it was an assignment approved by Mexico's President, Enrique Peña Nieto (Urías, 2013).

Rojas' public statements imply that she is supportive of certain administration reforms which could improve job quality through more effective legal protections. For example, she has stated in the press that the Juntas will review all collective bargaining agreements over 7 years old, requiring them to be updated or eliminated, in order to impede the practice of employer protection contracts described earlier (Munoz Rios, 2014). However, the preferences of some of her close colleagues are not likely to support dramatic reforms. For example, the next most powerful position, the General Secretary of the JLCA, is Pablo Franco Hernandez. In the past, Franco had a conflictive relationship with members of the Junta who supported policy reforms in favor of improved worker protections (A. Alcalde, personal communication, Nov. 14th, 2014). Moreover, the JCLA has a long history of poor performance and inadequate or corrupted legal processes, where mid-and low-level staff extract payments from workers in order to process their cases, and where the owners of employer protection contracts receive preferential treatment compared to worker-led unions (Bouzas, Oliver, & Vega, 2009). This limitation calls into question whether Rojas has the political resources or incentives, within the Junta's bureaucracy or outside it, to effect deep policy reforms.

Taken as a whole, a stakeholder's analysis of the key players in the Executive branch reveals that the stakeholders with the most power - Mayors - have opposed a change in the status quo around labor policy since the PRD entered office in the city in 1997. As these Mayors appoint two other key players, the Labor Secretary and the President of the Juntas, it follows that these actors have possessed few resources with which to express an alternative preference. While Escobar, Miron and Campos Linas may not have opposed improving job quality in the city, financial and political limitations effectively neutralized their ability to act on this issue, and there have been no actors with both power and interest in promoting job quality policies. In the current administration, since 2012, it appears that there may be more support for, or at least less opposition to, labor policy changes among actors although the distribution of political and financial power continues to be a limitation.

1.2. The PRD in Mexico City: Social policy over Labor Policy

While describing the main policy actors in the political game, above, an additional pattern begins to emerge, showing differences in the city's approach to social policy as compared to labor policy in terms of the power and resources granted to the key stakeholders in this policy area. Before being granted greater autonomy in 1997, both labor and social policy were essentially matters of the federal government, the local city government was limited providing basic municipal services, and had little role in the development of public policy. After 1997 however, while Mexico City developed an impressive set of social policies, designed to both combat poverty as well as expand rights and services to the city's population, its labor policies remained essentially unchanged from those which it inherited from previous PRI government. The labor policy of the city, and its failure to address matters of job quality are described earlier in this chapter. While it is not the intent of this thesis to examine the city's social policies in any great depth, we will give a brief overview here - drawing heavily upon a reflection written by Pablo Yanes in 2013 - with the intention of drawing points of comparison and contrast between the two areas.

Begun under the Cardenas Administration, the Mexico City government developed an institutional framework within which it was established that citizens - in particular, vulnerable groups such as indigenous peoples and women - had certain rights, and could expect a degree of support and services from their local government. Under Lopez Obrador, social programs and services became central to the Administration's platform. As mentioned, this is when the Universal Pension for Senior Citizens was established, as well as programs directed at women and children, and the construction of schools and medical centers. An important element of Mexico City's social programs, in contrast to the federal government's social programs, is that they were universal and without conditionality (unlike the *Oportunidades* program, for example), and while a greater emphasis was given to expanding human and civic rights, the goal of combatting poverty among the city's poorest remained an important objective. This pattern continued with the Ebrard Administration, with additional programs in the areas of healthcare and access to education (Yanes, 2013).

These programs were housed within a legal and fiscal framework which allowed social policy in Mexico City to expand from a fledgling effort in 1997 to what is now arguably the most relevant part of the city's political life. In 2000, the city adopted the Social Development Law which laid out the goals of, among others, combatting poverty and reducing inequality. Between 2000 and 2012, the amount of the Mexico City budget that is dedicated to social spending has grown by 65%, at twice the rate the Mexico City's budget overall has increased, reaching approximately 30% in 2011 (EvaluaDF, 2013). The policy is largely redistributive, and while city leaders have adopted a rights-based discourse and posture which technically includes labor and employment rights, in reality, their approach has leaned more towards social programs and policies.

Fig. 7 - Political Affiliation and Resources of key Decision-makers in the Labor Policy Sub-System

PRD Adm	Office	Political resources (strength of PRD base)	Fiscal Resources (% GDF Budget) ¹⁵	Notes
Cuahtemoc Cardenas Solorzano (1997-1999) Maria Rosario Robles Berlanga (replacement)(1999-2000)				
	<u>Labor Sub-Secretary:</u> Saul Escobar Toledo	Strong PRD ties, from OIR, ¹⁶ independent unions		Office not a full Secretariat in the Mayor's Cabinet.
	<u>President of the JLCA:</u> Jose Francisco Becerril Mendoza	Weak PRD ties.		From the JLCA in Toluca, closer relationships to employers than unions.
	<u>Secretary of Health, Education and Social Development:</u> Clara Jusidman	Moderate PRD ties, close to Cardenas		Intellectual background, civil society and development experience.
Andres Manuel Lopez Obrador (2000-2005) Alejandro Encinas Rodríguez (replacement) (2005-2006) ¹⁷				
	<u>Labor Sub-Secretary:</u> (2000-2012) Benito Miron Lince	Weak ties to PRD	0.33%	Office remains a Sub-Secretary position during this Administration.
	<u>President of the JLCA:</u> (2000-2012) Jesus Campos Linas	Weak ties to PRD	0.50%	Appointed through negotiation with ANAD.
	<u>Social Development Secretary:</u> (2000-2005) Raquel Sosa Elízaga (three successors in the last year, including Marcelo Ebrard Casaubón)	Strong PRD ties, same political current of the PRD as Lopez Obrador	12.2%	Ebrard left this office to run for Mayor in 2005.
Marcelo Ebrard Casaubon (2006-2012) ¹⁸				
	<u>Labor Secretary:</u> Benito Miron Lince	Weak ties to PRD	1.31%	Office became a full Secretary Position in 2007. Ran for Mayor in 2012.
	<u>President of the JLCA:</u> Jesus Campos Linas	Weak ties to PRD	0.49%	

¹⁵ Missing budget numbers before 2000.

¹⁶ *Organización de la Izquierda Revolucionaria (OIR)*, one of the founding organizations of the PRD.

¹⁷ Using budget numbers for the year 2006, in *DECRETO PRESUPUESTO DE EGRESOS DEL DISTRITO FEDERAL PARA EL EJERCICIO FISCAL 2006*

¹⁸ Using budget numbers for the year 2011, in *DECRETO PRESUPUESTO DE EGRESOS DEL DISTRITO FEDERAL PARA EL EJERCICIO FISCAL 2011*

	<u>Social Development Secretary:</u> (2006-2011) Martí Batres Guadarrama (Succeeded by Jesús Valdés Peña)	Strong ties to the PRD, associated with Bejaranos/IDN and Lopez Obrador	17.10%	Formed own PRD current, left position to seek the Mayor's office in 2012. Now an officer in Lopez Obrador's new political party, Morena.
Miguel Angel Mancera (2012-2018)¹⁹				
	<u>Labor Secretary:</u> (2012–2014) Carlos Navarrete (2014 -) Patricia Mercado	Strong PRD ties, associated with a national current (<i>Chuchos</i>) Weak ties to PRD	0.55%	Left office to seek national PRD position in 2013. Strong reform preferences
	<u>President of the JLCA:</u> (2012-) Darlene Olvera Rojas	Moderate PRD ties, associated with base from the city's largest borough	0.21%	
	<u>Social Development Secretary:</u> (2012 -) Rosa Icelas Rodriguez	Strong PRD ties, associated with Lopez Obrador and the IDN.	25.15%	

Source: Own Elaboration

Based upon the descriptions and chart above, certain patterns become clear. As a rule, to be effective actors in the political game, actors need resources as well as incentives to impact the policy-making process. These resources may be financial - is there an adequate budget to support policy-making and implementation? or political - does the actor enjoy the support of the current administration and bring “weight” to the policy-making process? Without resources, preferences may not be realized. In Mexico City, the political actors managing social policy and programs for the city are more likely to have significant political and economic resources than those related to labor policy.

In all PRD Administrations, the Secretary for Social Development is granted far more economic resources than the Labor Secretary. The Labor Secretary has had an extremely small budget, ranging from 0.33 to 1.31% of the city's overall budget, and for the first 10 years was not even a Secretariat's office with its own budget line item, its

¹⁹ Using budget numbers for the year 2014, in DECRETO PRESUPUESTO DE EGRESOS DEL DISTRITO FEDERAL PARA EL EJERCICIO FISCAL 2014

programs, almost entirely funded by the Federal government, were under the broader line item of “Progress with Justice.” The Secretary of Social Development, while also starting small in the first year of the city’s greater autonomy, has grown to at least 25.15% of the overall budget assigned to this office, though this number may be higher (EvaluaDF uses a higher number) when taking into account the many areas of the budget with programs related to social spending but not directly assigned to this Secretariat. While both offices started with little in 1997, the political actors engaged in social policy today enjoy far greater resources than the actors engaged in labor policy.

As well, the actors tasked with social policy in Mexico City are almost always linked to a PRD current connected to the sitting Mayor. That is, they are likely to enjoy significant political support from the Executive office and the rest of the Administration, making them able to both share and receive greater political influence and power. Indeed, a Social Development Secretary from the Lopez Obrador Administration became the next mayor, and the one from the Ebrard Administration ran for mayor and remains politically active within city and national politics. The Social Development Secretaries may or may not be well-qualified for the offices, but appear to pass an unofficial test of being a person of confidence with the sitting mayor and trusted to manage a policy areas with great resources and great political importance. In contrast, the Labor Secretaries and Presidents of the Juntas appear to be positions less powerful politically and with lesser influence within the government. As one observer noted, “they put their closest allies in for Social Development, and they run large, popular programs, become well-known and run for higher office. They pay a lot of attention to who those people are. Meanwhile, labor gets the leftovers, it’s a position filled to repay a favor, no-one really cares who they are or what they will do.” (A. Alcalde, personal communication, June 20th, 2014)

1.3 The Legislative Branch

Mexico City’s Legislative Assembly (ALDF) is the body which debates, amends and approves policies and laws initiated by the Executive branch, including the city’s annual budget and its General Development Plan, a policy document which describes the objectives and programs of the Administration in matters of economic and social

development. The ALDF may initiate as well as approve laws, and is required to develop laws and policy related to the public administration of the city as well as to regulate the provision of city services, including process for contracting private companies for cleaning and other services, according to Article 42, Section 15 of the city's statutes. The ALDF has 66 legislators, or deputies, of which 40 are elected directly by voters in electoral districts and 26 are appointed by proportional representation by their political parties. Deputies serve for three years and until now have not been able to be reelected, meaning that the connection between deputies and their constituents is weak. While the matter of reelection is in the process of changing with recent political reforms, deputies are still far more dependent upon the support of the leadership of their political party than voters, in order to gain office or ensure they will be placed in future political office. Some of the key positions within the ALDF are the head of the Government Commission, which controls the movement of legislation to the floor of the council for debate and vote. Lesser positions which are relevant to labor policy and employment quality in the city are the head of the Labor and Social Protection Commission and the Local Public Administration Commission.

The ALDF is controlled, as it has been for many years, by the PRD. Within the PRD, both nationally and locally, are "currents," quasi-official groupings within the party based on affinities, ideology and personal loyalties and it is the balance of power between these currents that often defines how the legislative branch in Mexico behaves as an actor within the political game. This balance of power is continually shifting, but at least recently the 34 PRD legislators were divided into two main currents: the IDN, also known as the *Bejaranos*, which has a long and powerful history within the city; and the Progressive Block, made up of legislators loyal to Mayor Mancera. Within this last camp there two sub-currents, a group loyal to the head of the PRD bench and a second group more closely associated with Mancera and another current, the New Left. While these two groups both support Mancera and have united to head off the IDN, they are divided on certain policy matters (Villanueva, 2014).

Among the more powerful currents of the PRD in the ALDF, none have a significant interest in labor policy in general, or job quality policy in particular. Moreover, as the role of the ALDF is to approve and debate budgets and policy proposed

by an Executive branch, and both branches are controlled by the same party, its plays a somewhat marginal and less powerful role in the policy-making process. As a stakeholder therefore, the ALDF as a whole brings a low level of interest and a low level of influence to labor policy matters.

1.4 The Labor Justice System and Bureaucracy

In addition to the executive branch and legislative branch described in the last chapter, key governmental actors also include parts of the judicial branch. While not all parts of the judicial branch of the Mexico City Government is relevant to the scope of this study, it will be important to consider the elements of the labor justice system and their role as stakeholders in labor and employment policy. The Local Labor Board (the JLCA, or Juntas) is responsible for enforcing Federal Labor Law and protecting labor rights, adjudicating and resolving labor conflicts, both collective and individual. There are 18 Special Boards which take cases by industry (this is currently in the process of changing), as well as Secretariats for Mediation, Strikes, Collective Conflicts and other issues (G.R. Ramos, personal communication, March 10th, 2014). The presidents of the Juntas in recent PRD Administrations were also described in the last chapter. In addition to the Juntas, the Labor Inspection Division (DIT) is tasked with inspecting worksites to ensure compliance with federal labor laws within Mexico City. It is housed within the General Division of Labor and Social Protections, within the STyFE, and operates under a mixed system of federal and local jurisdictional responsibilities where Federal inspectors have lead responsibility for inspecting worksites within industrial sectors of federal jurisdiction, while local inspectors are responsible for sectors of local jurisdiction, such as retail and most services such as janitorial work (Duran & Galhardi, 2013). Neither federal nor local inspectors have the jurisdiction or obligation to address working conditions in informal workplaces (Bensusan, 2008).

As an institutional actor in Mexico City, the labor inspection apparatus shares the Juntas' long history of poor performance and low credibility. In terms of preferences, as Bensusan has extensively documented, in recent decades labor inspections have occurred in a political environment which encourages greater concern with keeping sources of employment intact rather than to identify and correct labor abuses, with the result that

employer's interests are often placed above those of workers' (Bensusan, 2008). Moreover, during the years before the PRD took office, the labor inspection staff had a reputation for corruption, to the extent that past PRI administrations had simply suspended inspections in face of inspectors extorting employers and abusing the inspection process (S. Escobar, personal communication, January 21st, 2014). That said, while the incentives of some labor inspectors may still be in question, a larger issue is the size and resources of the staff. As noted earlier, there are only 36 labor inspectors, and only 24 that go into the field (M.A. Camargo, personal communication, June 24th, 2014), leaving the massive Mexico City workforce far short of the ILO's recommended 4 inspectors for every 100,000 workers. With a small budget – it was .25% of STyFE's budget in 2010 - the inspectors have no cars, computers, little training and low salaries (Bensusan, 2008).

Therefore, the capacity of the inspections team to carry out current labor policy is limited, let alone reforms that may require additional vigilance in industries of local jurisdiction such as cleaning. Therefore, like many bureaucracies, the labor bureaucracy in charge of labor inspections is likely to resist changes in labor policy which support job quality, both due to its preferences and past practices, as well as due to a lack of resources and capacity. As a stakeholder, it holds moderate power but a low interest in improving job quality policies.

Finally, a new actor within the Labor Justice system is the Fifth Visitadura of the Mexico City Human Rights Commission (CDHDF), Claudia Patricia Juan Pineda. The city's Human Rights Commission has only recently incorporated labor issues into its mandate, after a 2011 reform of the Mexican Constitution required that local human rights organs include labor rights (L.D. Vasquez, personal communication, March 4th, 2014). Juan Pineda assumed her position in February 2012, and for many years previously was a well-known labor lawyer with independent and progressive unions in Mexico City. She has been the legal counsel for unions and civil society organizations which represent service sector workers, including janitorial workers, and has publically advocated for reforms in labor policy which would improve labor rights and employment quality, making clear her policy preferences. The resources she brings to the policy process are less established, however. The CDHDF has the ability to investigate labor

rights violations and to emit recommendations, and as it is an autonomous organization, it may investigate the functioning of public entities as well as private employers. However, it does not have the power to enforce compliance, and must rely upon its credibility and moral pressure (C.P. Juan Pineda, personal communication, February 25th, 2014). Moral authority and experience are the CDHDF's main resources but as this is a new stakeholder, there are few cases upon which to measure how effective this actor's recommendations will be.

1.5 Business Actors in Mexico City

The business community in Mexico City is diverse, given the size of the local economy and the number of actors. In the following chapter, for example, we will examine the number of stakeholders and actors connected to the cleaning industry alone. However, as a whole, the business community has held a cooperative relationship with PRD since 1997, despite the fact that this was the first government led by a leftist party to gain power in Mexico for decades. While different employer associations have expressed varied preferences on matters of labor and employment policy, all have developed effective channels of communication with the Mexico City government and been active players in the policy-making process of the city (P. Mercado, personal communication, July 17th, 2014).

Early PRD administrations developed collaborative relationships with local business associations to compensate for a lack of federal funding for public works projects and other infrastructure needs. For example, the Lopez Obrador Administration sought the support of local employers to renovate the historic downtown city center, which had remained heavily damaged from the 1985 earthquake (B. Lujan, personal communication, June 18th, 2014). Another urban development project, the development of the Santa Fe area, received considerable financial support and donations from private construction and cement companies, who then also benefitted from the massive construction and roadway projects which followed in the new commercial area (Sánchez, 2002). Real estate developers and the financial sector have also developed mutually beneficial relationships with the city, as their presence expands they have sought and

obtained new zoning and building laws, allowing taller buildings and favorable land use permits.

On matters of job quality, different segments of the business community hold different perspectives according to their prevailing interests. Coparmex DF, the Mexico City chapter of the Confederation of Mexican Employers, has strongly opposed measures which would improve the city's ability to regulate labor standards such as improved labor inspections, or improved oversight of contracts and bidding in the city, or other fiscal regulations (CoparmexDF, 2014). In contrast, Canacintra in DF, the local branch of the national Chamber of Transformative Industries, has shown a tolerance for some job quality initiatives, recognizing that poor job quality has slowed local economic growth (Esquivel, 2014). However, as the PRD has publically stated that they seek a cooperative relationship with private industry in the city (Terra, 2012), the policy-making process is unlikely to interrupt business interests. In all, as a stakeholder, the business community in the city is a powerful player, with diverse interests in labor and employment policy.

1.6 Unions in Mexico City

Unions in Mexico City, and throughout Mexico, are largely shaped by two major models of unionism. One is the corporatist model of the main Mexican labor movement; the other is the model of protection contract unions (or sweetheart unions) which was developed with the encouragement of employers. As described in the theoretical framework, labor unions in Mexico with their roots in the corporatist model obtain their power from political relationships which give them access to policy- and decision-making processes, but which also serve to create boundaries outside of which these unions are unlikely to stray. In a similar way, employer protection contract unions obtain their power by maintaining a close relationship with employers (Bouzas, Oliver, & Vega, 2009) having generally either offered their services to employers or having been called upon by employers to as a means to evade worker-led unions, and they are unlikely to hold preferences which vary greatly from the employers'. In both models of unionism, the incentives and preferences of the organizations legally representing workers may not

accurately reflect the actual preferences of their members and other workers in society. As well, in both models of unionism there are few incentives to change the status quo.

We will see that this dynamic affects the incentives and preferences of trade union organizations in Mexico City. Overall, unions in the city have relatively little power. Affiliates of the country's powerful trade union centrals tend to represent national industries and there are few affiliates at a local level in the city (M. Canto, personal communication, Feb. 5, 2014) (B. Martinez, personal communication, March 12th, 2014), with the notable exception of the Mexico City Government Employees Union (SUTGDF) which we will describe here. There is a significant union presence at a local level in many service sector industries, which will be described in the next chapter, but they are mostly protection contract unions. There are few union actors seeking to reform the labor and employment policy of Mexico City or attempting to organize new unions in the service sector.

The Mexico City Government Employees Union, SUTGDF, was founded in 1937 with the support of the governing PRI as part of the Federation of State Employee Unions (FSTSE). Today SUTGDF has 110,000 members in the various departments of the Mexico City government. Both the union and the federation were part of Mexico's corporatist labor structure established to support the PRI electorally – workers were required to affiliate, the unions were expected to mobilize them in elections (Pineda Molina & Ayala, 2002), and the union's preferences essentially mirrored those of the PRI. After the PRD gained control of Mexico City the situation for the union's leadership become complicated, according to a Vice President of the union at the time, as the FSTSE supported the national government's neoliberal agenda, including the push to privatize many public entities, and the new, more progressive city government opposed at least some of these efforts (E.A. Fernandez, personal communication, Sept. 6th, 2007).

Therefore in 2003, the union broke away from the FSTSE, becoming independent from the PRI but setting off an internal power struggle between a group of reformers who sought greater internal union democracy and a group who sought to remain in power by essentially transferring the corporatist relationship to the PRD. The latter group emerged victorious, and the union was led for 7 years by Enrique Hanff who maintained a very close and non-confrontational relationship with the PRD administrations (E.A.

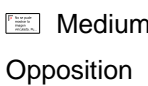

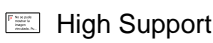



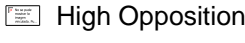

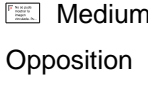

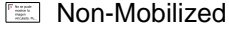



Fernandez, personal communication, Sept. 6th, 2007). Around this same time, the Mexico City government began a practice of hiring new employees as contract or project employees who are ineligible for union membership, to avoid adding members to the union for either financial or trust reasons (S. Escobar, personal communication, January 21st, 2014) (M. Canto, personal communication, Feb. 5, 2014). This practice began with the Cardenas Administration and intensified with Lopez Obrador and was not challenged by SUTGDF for many years (A. Pineda, personal communication, March 18th, 2014) (J. Ayala Rivera, personal communication, March 18th, 2014).

In 2011, SUTGDF elected a new president, Juan Ayala Rivera. Based on the statements by Ayala in interviews as well as his actions, it appears that Ayala's leadership reflects the preferences of his membership to a certain degree on matters of wages and benefits, though staying carefully within the interests of the political actors who provide his base of power. For example, in 2013 the union negotiated an agreement to regularize the status of 70,000 Mexico City employees over the next three years - an agreement which served the interests of the union, by increasing its membership rolls and regularizing some city employees. However, this was not a confrontational negotiation, as regularizing some employees also served the interests of the GDF administration by lowering its exposure to legal cases from irregularly contracted staff as well as the interests of Federal Treasury, who released the needed funds in exchange for having SUTGDF reaffiliate with the PRI-affiliated union federation, FSTSE, which the union did at the same time the agreement was signed. Likewise, in the 2013 collective bargaining process the union presented a list of bargaining demands on behalf of members and negotiated a modest increase in salary and benefits, in contrast with past practice where the union received the content of the "General Working Conditions" from the mayor's office and signed without discussion (J. Ayala Rivera, personal communication, March 18th, 2014) (C.R. Espejel, personal communication, March 4, 2014). However, Ayala stated in an interview that the union's bargaining process is largely based upon his personal relationship with Mayor Mancera, where they work together to "solve problems." Initial discussions occurred in the presence of some SUTGDF Executive Committee members but were finalized in a private meeting between Mancera and himself.

Therefore, it appears that the union’s slightly more assertive role in bargaining is in response to the needs and preferences of both the Mancera Administration and the union’s leadership. Mancera sought to avoid labor conflict while pursuing other political priorities; in addition, he would like to secure additional resources from the federal government (J. Ayala Rivera, personal communication, March 18th, 2014). SUTGDF, as a member of FSTSE, may now rely upon the support of FSTSE’s politically powerful General Secretary, Joel Ayala (no relation to Juan Ayala), also a PRI Senator. As a result, it is in Ayala’s interest to use FSTSE channels to steer federal resources towards the Mancera administration, while it is in Mancera’s interest to give Ayala “General Working Conditions” which help him build and keep support among his membership.

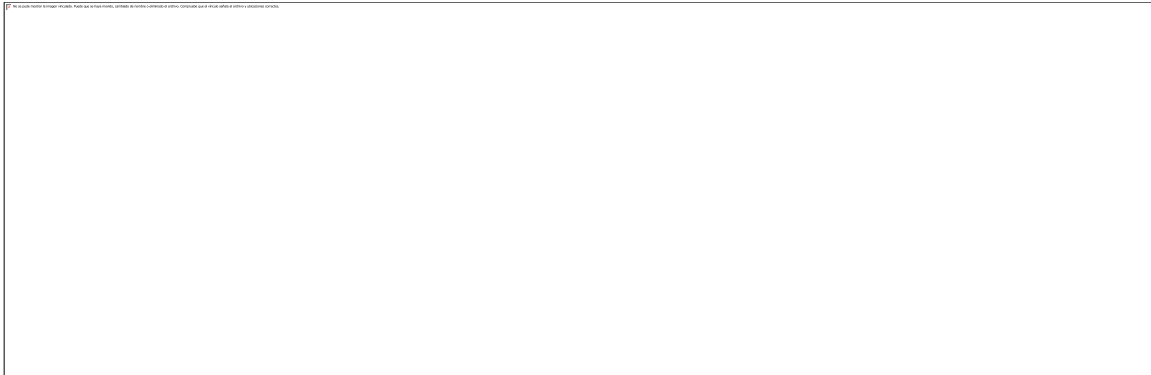
Therefore, in SUTGDF, we have the only union stakeholder with significant power – size, membership, and powerful affiliations. However, the union has no position on the matter of employment quality and a very low interest in engaging on the issue. As such, while the union has been a player in the political game in matters of the city’s own hiring policies, it has not challenged the status quo - and has at times sought to maintain the status quo - with respect to the city’s role as a regulator and as a client of services.

Fig. 8 - Main Stakeholders in the Labor Policy Subsystem in Mexico City, 1997-2012 (excludes actors from the current 2012 Administration, as their role in the policy-making process is still developing)

Player name	Sector	Position	Power
Cuauhtémoc Cardenas Solórzano	Governmental	 Medium Opposition	 High
Saul Escobar Toledo	Governmental	 High Support	 Low
Jose Francisco Becerril Mendoza	Governmental	 High Opposition	 Medium
Andres Manuel Lopez Obrador	Governmental	 High Opposition	 High
Jesus Campos Linas	Governmental	 Medium Opposition	 Medium
Benito Miron Lince	Governmental	 Non-Mobilized	 Low
Marcelo Ebrard Casaubón	Governmental	 Medium	 High

		Opposition	
Legislative Assembly	Governmental	 Non-Mobilized	 Medium
The Labor Justice Buearacracy	Governmental	 Medium Opposition	 Medium
COPARMEX DF	Private	 High Opposition	 High
Canacintra DF	Private	 Medium Opposition	 High
Sindicato Unico de Trabajadores del Gob del DF	Social	 Non-Mobilized	 High

Fig. 9 - Main Stakeholders' Support for Job Quality Policies



Source: Own elaboration using PolicyMaker 4.0

2. Policy-making: In who's interest? The Public Oriented-ness of actors in the policy making process

In considering the inclinations of successive PRD Administrations to favor social policy and programs over labor policy, we begin to explore the question of why the city has failed to develop a credible policy to address job quality. Above we analyzed the

incentives, preferences, resources and limitations of the principal government actors in the political game. However, as we saw in Figure 6 in Chapter 2, the government plays a dual role in the policy-making process, both as an actor and as a principal arena, in which a balance of power is established between players and their preferences. Without this, the private interests of main stakeholders, including the career and political objectives of government actors, may undermine the public oriented-ness of the policy process – in this case, leading them to substitute social policy for labor policy in many instances. It is worth mentioning that the word “private” is being used in this context to mean any interest that is not publically-oriented (and not necessarily only referring to private sector/business interests. Private interests may be political or personal, as well). Here we will look at the government as both an actor and as an arena, to determine to what extent the private interests of actors in the policy-making process are allowed to marginalize reform efforts in the labor policy subsystem, taking into account the model of Left government in the city, the internal system of currents and factions within the PRD and the role of clientelism.

As we have discussed in the theoretical chapter, the effectiveness of a government in establishing a balance of power between actors has much to do with the political orientation of its government and the nature of its political parties. In this case, the government is of a Left orientation, thoroughly dominated by the PRD. However, as many observers have noted, the PRD’s model of Left what Pribble and Huber called professional-electoral bent, relying on the votes of civil society actors but discouraging their participation in the policy-making, and with leaders who advocate free-market as well as state solutions to job quality issues (Pribble & Huber, 2011). Castaneda takes this description a step further, referring to the Lopez Obrador administration as populist, with no real agenda or ideology but to attain and keep power (Castaneda, 2006). As a result, social policy has become an important part of the political platform for successive PRD administrations, creating programs that appeal to important voter blocks – the elderly, vulnerable and marginalized populations, women – who are likely to vote reliably for the government which initiated social programs which benefitted them.

In some settings, social policy is actually the tool of conservative governments, who create social programs to address the economic consequences of an unfettered free

market. However, for a Left government with a weak ideological orientation, it is often easier to rely upon social programs to mitigate the effects of poor job quality, than to develop the labor policies that would more immediately address the problem (Filgueira, Reygadas, & Luna, 2012). There are few actors in Mexico City opposed to social spending, while there are important actors who may oppose attempts to either improve the enforcement of labor laws or to regulate the city's contracting and purchasing policies. Both nationally and locally, the PRD has often declined to take on business interests (Elizondo, 2009), both as a form of self-editing to avoid appearing too radical to foreign investors and also because business interests could provide important financing for other policy goals. For example, a member of the Lopez Obardor Administration confirmed that his government was reluctant to make the business community uncomfortable because they needed their support in an ambitious project to rehabilitate and revitalize the city's downtown historic district (B. Lujan, personal communication, June 18th, 2014).

In addition to the model of Left government espoused by the PRD, it is also important to look at the nature of the political parties in the electoral system, and whether electoral victories are obtained through programmatic or clientelistic efforts (Scartascini, Spiller, Stein, & Tommasi, 2011). In Mexico, including Mexico City, electoral victories have historically been won through channeling benefits to particular groups of voters, rather than through competing platforms of programmatic efforts. Within Mexico City, where one political party, the PRD, greatly dominates the electoral system, the internal functioning of the PRD and its system of currents becomes an important influence on how the public oriented-ness of a policy may be compromised.

In his description of the foundation of the PRD and its leadership, Martinez explains how the PRD came together as an integration of smaller opposition parties and movements, a "social left," as opposed to the history of some left parties which grow out of mass-based organizations such as unions or peasant groups (Martinez V. H., 2005). Cuauhtémoc Cardenas Solórzano, as its first leader, faced the challenge of uniting a broad coalition of disparate organizations and one of the most important ways that was achieved was through the recognition of various internal factions and currents within the new party. As result, leadership positions within the party were divided according to

relative size and strength of each faction, creating an internal equilibrium which protected the stability of the party while also solidifying Cardenas's position as the central figure with the power to divvy out political roles (Martinez V. H., 2005). While extra-normative, these agreements, or *acuerdos*, became - using O'Donnell's definition of the word - institutionalized as part of the PRD's accepted system of operations.

Once in power in Mexico City in 1997, the *acuerdos* came to mean more than an internal system of stability and cohesion, but also evolved into a system of political interests, where the stability of the city government depended upon functioning *acuerdos* between factions of the PRD about how to divide the tasks of governance, as well as the rewards (Martinez V. H., 2005) (Bruhn, 2010). With a quasi-official system of internal currents, government officials in PRD administrations became responsible for balancing the dual of role of their formal position in the structure of government, as well as their less formal political responsibilities to the interests of their particular current, and the power for mediating between currents has been mostly centralized in the Executive branch. Martinez has shown that the advancement of political careers within the PRD is related to being connected to a successful current within the party, more than to performance of duties while in office.

As a result, the interests of government actors which prevail in policy-making are not necessarily publically oriented, but rather designed to advance the private career interests of individuals within the city's Administration. Looking again at Figure 7, it appears that the actors responsible for social policy are also playing a particular role within the PRD's system of currents, managing social policy programs for the well-being of the party's electoral interests and representing the leading current on behalf of the Mayoral office. In return, these actors receive opportunities for advancement within the political system, such as the opportunity to run for mayor (Ebrard) or develop one's own internal current (Bartres). On the other hand, labor policy actors for the most part (Escobar may be an exception, and Mercado may prove to be as well) did not arrive to their position due to influence within the party, nor did their political careers advance significantly as a result.

These two features of the Mexico City government, the model of Left and the nature of the ruling PRD party, lead us to the issue of clientelism. While there are valid

reasons for the government of a city with great poverty such as Mexico City to develop an extensive array of social programs, the issues discussed above imply that the government's interest in these programs is not strictly altruistic. While mass-based Left parties may rely upon votes from the unions or mass-based organizations which back them, a civic or electoral Left party must find other ways to mobilize an electoral base. As well, in Mexico City, the ruling PRI party had a monopoly on the very few corporatist organizations based in the city (the majority of the PRI's base was in national unions and national popular organizations), and regardless, the dependability of these unions to deliver promised electoral support has declined in recent years, for either the PRI or the PRD (Bensusan & Middlebrook, 2012)²⁰. Therefore, the incentives to develop labor policies to improve employment quality are low – it has limited electoral payoff for policy makers concerned with building electoral support, as union support does not guarantee voters, while it also has greater potential to alienate the business community and its potential campaign support.

The voting potential of non-organized households has grown with the decline in formally organized bases (unions or others), which has reinforced the political incentives for a government, as an actor in the process, to manage the policy-making process in such a way as to maximize its appeals to voters (Levy & Walton, 2009). So while some currents of the PRD opted to develop some popular organizations of its own, such as some of the neighborhood associations that became linked to Rene Bejarano, the main strategy of the PRD became to develop social programs with the purpose of appealing to a broad base of voters. While not clientelism in the purest definition presented by Stokes, where government provide services in direct, verified return for electoral votes, the PRD's approach to policy design appears to have been generally clientelistic in nature, creating popular programs of assistance with the purpose of attracting electoral loyalty.

While many features of these programs have been positive and contributed to the wellbeing of poorer citizens, the lack of a focus on poverty prevention belies a lack of public oriented-ness in their design. As Yanes observes, social policy city has been largely focused on certain age groups and segments, in particular programs for the elderly,

²⁰ For complete data, see "Organized Labor and Politics in Mexico," Bensusan and Middlebrook, 2012,

at the expense of interventions for youth and infancy where poverty cycles may more likely be broken. As well, social policy and fiscal policy are not well-integrated, meaning public funds are the exclusive support of these programs, with no significant attempt to gather resources from the private sector through greater enforcement of payment into social benefit funds such as IMSS, for example (Yanes, 2013). In other words, policies appear designed with a short-term incentive to appeal to a certain populations currently living in poverty, rather than a preference for a more integral approach at poverty reduction.

An example is the Universal Pension for Senior Citizens. Ideally, most senior citizens would have access to health care and an adequate standard of living through the IMSS system of health care and pensions, either due to their own time in the workforce, that of a spouse, or that of other family members who work. However, the prevalence of both informal sector labor and the unchecked pattern of the evasion of IMSS taxes by employers, mean that many elderly need assistance to maintain even the most humble of living standards. In the survey of janitors in public buildings cited in Chapter 1, while the survey was not formally designed to measure whether workers were receiving the Universal Pension, surveyors noted anecdotally that many fulltime elderly workers were also receiving the pension to make ends meet (or vice versa), while their employer was not paying into the IMSS system. At the same time, the young workers were also working without building credits in the IMSS system, making them likely candidates to need such assistance in the future. Complementary to social programs for the working poor, policies to improve job quality and reduce precariousness could reduce the need for certain social programs over time, yet such efforts have not been under consideration in Mexico City.

While the senior citizens programs are clearly meeting an important need in the city, without an integral attempt to reduce the poverty of the working elderly and the working young, the program reveals both public and private interests of the policy-makers in its design. While there is a public interest in reducing poverty among the elderly, there is are also political, clientelistic interests in using public resources in developing policies which treat the symptoms of poverty among large segments of the

population without being connected to a labor policy initiative to address the root causes of poverty.

3. Policy-Making: Playing by whose rules? The degree of institutionalization in the policy-making process

When discussing matters of regulation and legal enforcement in Mexico City, and in Mexico in general, it is common to hear the phrase “*simulacion*” meaning simulation, or the appearance of going through the motions without real effectiveness. The PRD entered office in 1997, inheriting a system of very weak formal institutions from the outgoing PRI. While laws and regulations may be adequate and well-designed, their manner of enforcement - or non-enforcement, or partial or biased enforcement - makes the given legal framework ineffective. A tacit agreement to allow weak enforcement of formal rules and to merely simulate the functioning of formal channels has led to generally stable, though weak, institutions in Mexico for decades (Levitsky & Murillo, 2012)

While formal channels exist for the presentation, debate, approval, implementation and reform of public policy, in reality, these formal settings are often disconnected with how policy is actually developed and implemented (or not). Strong and formal political institutions would offer a better chance for quality policy-making, while informal ones may leave major policy decisions to be decided in private discussions without an adequate degree of public accountability (Scartascini, Spiller, Stein, & Tommasi, 2011). As well, weak formal institutions and settings increase the appeal of using alternative political technologies (protests, closed backroom meetings, etc), further undermining the functioning for the formal institutions (Machado, Scartascini, & Tommasi, 2009). In this section we will look at two examples for Mexico City which show how at least one formal channel for labor policy reform has been effectively marginalized, while in another channel private interests have sought to take advantage of weak institutions to shape labor policy outside of appropriate jurisdictions.

Formally, in Mexico City, policy-making is conducted through the traditional three branches of government, the Executive branch, the Legislative branch and the Judicial branch (in this case related to labor and employment matters, the local labor

boards, or JLCA). The executive branch is responsible for proposing legislation, laws and policy initiatives, the legislature debates, modifies and approves them and the JLCA, principally, adjudicates their implementation. As we have seen, in the case of labor laws, though not all labor and employment-related policy, the Federal government establishes and enforces labor norms while the local government also shares responsibility for enforcement. The local executive and legislative branches and the JLCA also play an important role in filtering access to the decision-making process and create the formal channels by which non-governmental players on either side of the policy issue may gain such access.

In terms of the policy-making process, PRD administrations have formally developed many channels and arenas with the stated purpose of evaluating current public policies and identifying policy gaps or needed reforms. One such agency is EvaluaDF, whose explicit purpose is to evaluate social policy in Mexico City. EvaluaDF, overseen by a committee of six citizen advisors largely from the academic community, was established in 2000 with the mission of identifying to what extent the city government is reaching its social policy goals and to offer legally-binding recommendations for improvements in policy design or implementation. However, EvaluaDF, along with other formal channels, has been able to have little substantive impact on the policy-making process due to its marginalization by the presence of other, informal practices.

The case of labor and employment policy is a clear-cut example. In 2010 EvaluaDF commissioned an extensive evaluation of the design and implementation of labor and employment policy in Mexico City (the same evaluation by Escobar Toledo upon which this study has based its description of the city's labor policy), carried out by former labor sub-secretary Saul Escobar Toledo. The evaluation identified numerous areas where Mexico City's labor and employment policy required immediate improvements or redesign, including several recommendations which addressed the increasingly precarious nature of employment in the city. The Advisory Board of EvaluaDF then formally presented these recommendations to the Mexico City government in a detailed report in January 2011, they included addressing several of the omissions in policy described here. According to the statute establishing EvaluaDF, the relevant city agencies are legally obliged to act upon the report's recommendations.

Moreover, there was then an additional level of accountability established when the city's then-Labor Secretary, Benito Miron Lince, along with the Secretaries of Finance, Public Works, Economic Development and the Chief Administrator all met to sign a written agreement with EvaluaDF in April 2011, formally committing to adopt the evaluations body's recommendations (see Annex 2). Nonetheless, conversations with Escobar Toledo, as well as two of EvaluaDF's Advisors, reveal that no action was taken on the recommendations. While in a technical sense, this is a violation of both policy and law, in reality, EvaluaDF's ability to enforce its recommendations is limited by the structure of the institution and dependent upon the will of key players within the city government, as Advisors Canto and Martinez explained in separate interviews. EvaluaDF is a semi-autonomous agency within the Secretariat of Social Development, and it is the Secretary, along with Chief Administrator, that would need to initiate the legal process to enforce compliance with the recommendations. This is unlikely to occur, for two reasons.

One is that government actors are only likely to take such measures against other government actors for policy matters of great priority, and as we will see, the lack of independent unions and other political actors in the city who are demanding such reforms means there is no force of significant size or power to put labor policy and job quality in a place of such priority. Secondly, most actors within the Mexico City government are constrained by the boundaries set by the PRD's internal *acuerdos* and practices. As Canto described, part of the PRD's internal culture goes against the idea of holding other political actors accountable, as this prevents other actors from doing the same, or risk finding oneself outside the *acuerdos* and internal practices of the party which are necessary for career advancement.

To the extent that this creates a stable governing coalition inside PRD administrations, this is a functional and rational system, however, it strongly suppresses incentives to change the status quo. As described by some of the new political economy authors, the many veto-players within the city's PRD structure make policy change unlikely, but also empower the agenda-setter, in this case the Executive, to retain a fair amount of control over the policy making process (Tommasi, Scartascini, & Stein, 2010). Therefore, formal mechanisms within the policy-making system explicitly designed to

evaluate or reform social and labor policy, even those with legally-binding mechanisms such as EvaluaDF, are constrained by the boundaries set by PRD's internal practices to keep stable coalitions within the party. The EvaluaDF example reveals both weak institutional channels for policy reform and how the model of government developed by the PRD has worked against the creation of strong, formal decision-making arenas for policy-making.

In our second example, we will see how weak institutions open the door for private interests to influence labor policy by affecting how it is implemented. We have already seen that as a regulator the city has limitations on what policy- or laws – it shall enforce, given that labor law is in large part a federal matter, set out in the Federal Labor Law (LFT), and that it carries out its enforcement responsibilities in conjunction with federal labor inspectors. The city does have a degree of control over how effectively the law is enforced, however. In the case of the JLCA, or Juntas, the tribunal has internal statutes, which governs how the JLCA will function internally, in administrative and technical terms, in order to enforce the LFT. For example, the statutes allow the President of the Juntas to assign responsibilities to particular secretariats, or to develop mechanisms for receiving and resolving labor grievances from workers and organizations. The statutes were last updated in 2000, and the JLCA occasionally issues updated criteria and procedures for Junta staff to use in their daily work. The statutes and their updates are not policy-making vehicles; rather they are tools to allow effective policy implementation. However we will see that they have been used in Mexico City as an informal policy arena to bypass the formal policy-making process.

In 2011 and 2012, at a national level, Mexico debated a set of labor law reforms designed to modernize the LFT. Formally, the setting in which these policy changes should take place is the Mexican Congress, where policy reforms must be approved by a majority of votes in Chamber of Deputies and the Senate, then signed into law by the Mexican President. The Mexican Congress considered three labor law reform proposals, one from each political party – the PAN, PRI and PRD - and did not reach an agreement on the reforms until late 2012. Mexico City residents elect Members of Congress to represent their interests in these debates, and in theory may engage in advocacy efforts to ensure their interests and preferences are reflected. At a local government level, local

agencies must then make the necessary reforms and changes to reflect the policy change regarding labor law at a national level. However, in the case of labor laws, local governments in Mexico do not have the jurisdiction to make substantive legal changes.

Nonetheless, on October 27th, 2011 the JLCA issued a *Boletín de Criterios*, a Notice or Update of Criteria, which essentially changed the content of the labor law, before such policy changes had been agreed upon and passed in the national Congress. The Notice changed the criteria for various Secretaries to use in registering a new union, accepting a strike notice, the recognition of collective bargaining agreements and other fundamental labor rights. Critics of the Notice, largely labor organizations, allege that the new criteria reflected the most conservative proposal for labor law reform being considered in Congress, and that the changes would impede union activity and collective bargaining (A. Alcalde, personal communication, Nov. 14th, 2014). Labor protections such as these have a significant impact on job quality, and the process by which the Juntas adopted such changes in labor policy reveals how weak institutions open the door to cooptation by private interests.

According to long-time labor lawyer Arturo Alcalde Justamani, the Notice was released after a meeting between Guadalupe Guerrero, the General Secretary of the Juntas (second in command after the President) and several company-side labor lawyers, without the presence of unions or civil society organizations (A. Alcalde, personal communication, Nov. 14th, 2014), who therefore filed a complaint with the Mexico City Human Rights Commission, who agreed to investigate the matter, and also filed a case with the International Labor Organization (ILO, 2013). The unions and labor lawyers also brought the case to the Mexican Supreme Court, where it was accepted for review by the Court's 2nd Chamber. Shortly after the Supreme Court indicated interest in reviewing the case, on October 5th, 2012, the President of the Juntas convened an extraordinary plenary where the Notice was repealed (Martinez B. , 2012).

For nearly a full year, however, the Notice represented official policy, developed in a manner which overstepped the boundaries of action permitted by the institutions involved. The more stringent requirements for union recognition, for example, were applied to workers in the service sector. When the telephone workers union, STRM, sought recognition for an independent union with the workers from a call centers in a

company called Atento, the Juntas used the Notice to justify requiring administrative procedures beyond those required by the LFT, such as asking that the all workers in the list of names supporting *titularidad* (ie, control of the union's bargaining relationship with the company) for the new union provide notarized documentation from the employer proving the employment relationship, something an employer is unlikely to provide, which made filing a request for *titularidad* nearly impossible in practical terms (Munoz Rios, 2012).

While the city government has the obligation to regulate labor relations and enforce labor law, and while there are areas in which it may shape the quality and rigor of this enforcement, in this case certain actors stepped outside the boundaries of legal policy-making settings to change the substance of labor norms. Instead participating in the national Congressional debate on labor law reform, through the elected officials of Mexico City in the Congress, it instead allowed a small group of players from the labor bureaucracy and employers to quietly effect policy changes with no public discussion.

In Mexico City as elsewhere, government actors experience a pull between their formal functions and other political pressures. The arenas and institutions of policy-making are responsible for maintaining a balance of power between those actors advocating for policies to improve job quality and those who oppose such policies, and will shape the effectiveness of the policy-making process in the labor policy subsystem. For an issue such as employment quality, weak institutions in the policy-making process mean the formal channels for improving job quality in the city are minimally effective, and private interests may resort to alternative political technologies.

4. Policy-Making: Who wants job quality policies? The lack of independent unions or other social actors

In the political game, the role of unions in the policy process is, ideally, to ensure a balance of power among non-governmental actors, as a counterweight to business interests though for this to occur unions be independent actors representing the interests of their members, be of adequate size and resources to matter and be engaged in the policy process. We have seen that the city's most powerful union, SUTGDF, is not mobilized around labor policy matters outside its own membership and there are few

other union actors seeking to reform the labor and employment policy of Mexico City or attempting to organize new unions in the service sector. One exception is the Authentic Workers Front (FAT) who has challenged the status quo of the city's public policies through organizing and advocacy efforts, though with limited success.

One reason for the low levels of independent union presence in the city is the extraordinary difficulty that workers – service sector and otherwise – encounter when organizing a new union. As Alfonso Bouzas has amply documented in a study on collective bargaining in Mexico City, employer protection contracts (CCPPs), which serve mostly as an obstacle to genuine union organizing, exist widely across the city, particularly in service sector and low-wage industries. Bouzas identifies CCPPs based on a series of indicators, including how often the contract is renegotiated, if the salary level is above the minimum wage, if a company signs identical collective bargaining agreements (CBAs) with different unions at different worksites (implying the employer defined the contract, not a bargaining process), if the union has a very large number of CBAs registered (implying a paper union, rather than a union with active membership in so many worksites), if the CBA was signed before the company opened operations, if the CBAs accepts outsourcing or other modes of precarious employment contracts.²¹ According to his study, the number of collective bargaining agreements legally recognized in the Juntas in the city began to grow substantially, rising from an average of 3000 CBAs a year before 2003 to nearly 8000 in 2006. Of these, the majority were in retail, construction, and services, and half the unions registering CBAs were unions with more than 100 CBAs (in other words, a few unions were registering most of the new CBAs) (Bouzas, Oliver, & Vega, 2009).

In addition to the obstacles of employer protection contracts, the International Labor Organization and other international bodies have repeatedly drawn attention to systematic deficiencies in Mexican labor law that impede workers' freedom of association and obstacles to independent union organizing. As Davis outlines, among the most serious problems are government control of independent unions due to the requirement that union leaders be certified by the Mexican government in a process

²¹ For a complete list of CCPP indicators, see (Bouzas, Oliver and Vega 2009)

known as “*toma de nota*” in order to be able to bargain on behalf of their members, the common misuse of the “exclusion clause” which requires workers to be union members as a condition of employment, and an employer-dominated setting for elections between new independent and previously existing unions (Davis, 2008).

There are very few exceptions to this pattern – only two new unions that are explicit and open in their affiliation to independent federations, meaning independent from either government or employer control, have succeeded in obtaining legal registration since 1997, according to leaders of these same unions (S. Arellano, personal communication, March 10th, 2014). One of these is Union of Shops, Offices and Related Workers (STRACC), affiliated to the FAT, which represents workers in several service-sector segments and is actively organizing precarious, tips-only workers in gas stations in Mexico City. STRACC’s difficult road to legal recognition, and the obstacles it has faced in organizing new workplaces, makes it a good example for understanding how weak legal institutions and poor enforcement contribute towards the very small presence of independent unions in the city.

In 1997, just as the PRD’s Cardenas Administration was entering in Mexico City, a small group of workers at the Centinela gas station sought to create a union. As described by one of STRACC’s founders and current president, Salvador Arellano, they sought support from the unions they knew – the CTM, the CROC and others, only to find that they technically already had a legally-registered union, the CTM Section 15 – one of the unions described in Bouzas’s study as a CCPP and which, as will be later described, is one of the largest CCPP unions in the service sector in the city, with a history of violence. They eventually found the FAT, and began the legal process to create a new union to replace the CTM 15. On advice from the FAT, they joined forces with workers from several small, progressive civil society organizations, anticipating (correctly) that the gas station workers would be fired after filing for recognition of a new union and that having members in various worksites would strengthen the petition. In late 1997, the group of workers filed a request for recognition with the JLCA (S. Arellano, personal communication, March 10th, 2014).

After several months of follow-up, they were informed that the registration was denied because the union’s proposed name was similar to another union and the word

“service” needed to be removed from its name. As the original workers had all since been fired, the union found a new group of gasoline workers to add to the civil society employees, and filed again for recognition. This time, for several months the JCLA requested additional information to confirm the workers’ employment status, or other matters which relied on employer cooperation to prove, effectively holding up a ruling on the recognition request. At one point, Arellano and other workers met with the President of the JLCA, Jose Francisco Becerril Mendoza, who informed them that the worker representative from the CTM in the junta reviewing their case had stated that just because STRACC had fulfilled the legal requirements did not mean that they would vote to authorize its recognition (S. Arellano, personal communication, March 10th, 2014). In 1999, after Rosario Robles became the acting mayor of Mexico City, STRACC and the FAT requested a meeting with her. Robles had a previous connection to the FAT from her time as a union leader in the National Autonomous University of Mexico Workers Union (STUNAM) and it was after calling upon that political relationship, rather than the correct application of labor law, that STRACC was granted legal recognition (S. Arellano, personal communication, March 10th, 2014)(B. Martinez, personal communication, March 12th, 2014).

Once recognized, the union had only 40 members and no collective bargaining agreements. STRACC then needed to win a recount vote in each gas station or worksite, to win *titularidad*, or control of the bargaining relationship (Ryan & Gutierrez, 2005). To date, 14 years later, the union has *titularidad* and CBAs in only 6 gas stations and 2 other worksites, with a total of just 600 members, with each worksite representing months of organizing, legal work and in most cases, a strike and some violence. During much of this time, STRACC was receiving significant external financial and technical support from civil society organizations and international unions, as well as legal and media support from allies. Despite this, the degree of complication, physical risk and the failures of the legal system to create a functional path to forming and maintaining an independent union, gives us an idea about why there are so few independent unions in Mexico City today.

As a result, there is no significant social actor advocating for a change in the city’s policies related to job quality. There are essentially no unions in the decision-

making process in Mexico which unite the criteria of having resources and influence, while also representing the interests of low-wage service workers. The presence of independent trade unions in the city is limited while employer protection contract unions are the most dominant type of union present. As mentioned, the only union of significant size and resources in the city is the SUTGDF, which has not been active in advocating for improved job quality in the city's policy-making process. Therefore, union presence in the city is largely employer and state dominated, depriving the policy-making process of independent union actors with democratically elected leadership representative of workers' interests.

This lack of independent unions is simultaneously a variable contributing to the stability of the current status quo, and also a result of this status quo. Other variables such as weak institutions in the policy-making process and the lack of public orientedness of the actors in the policy-making process, make it difficult for social actors such as unions to emerge. Within Mexico City, there is a stable consensus to among most government actors to avoid the entrance of new actors, particularly actors which may change the equilibrium on other policy matters. For example, corporatist and CCP unions may not be reliable sources of electoral support, but they also do not interfere in decisions about internal administrative matters and they do not make additional demands. The PRD's main actors in the Executive branch have developed stable coalitions within PRD currents for governing and have little incentive to allow the entrance of new social actors which may alter the balance in unpredictable ways, meanwhile, employers and the current undemocratic unions also benefit from the current status quo. The players in the political game with an interest in avoiding new unions have an ally in the poor enforcement of current labor laws, and therefore little incentive to reform the relevant institutions. Without these reforms, independent unions or other social actors are unlikely to emerge and build sufficient force to successfully challenge the status quo.

Within this circle of re-enforcing factors, it is difficult for one actor alone to change the status quo, even if an actor with such preferences emerged. At the moment, the decision-making process in Mexico City reflects clear incentives to rely upon social policy, rather than a credible policy to support the creation of quality jobs in the service sector, to address the problems of poverty and precarious employment in the city. The

remarkable stability of this state of affairs is unlikely to change without the emergence of a powerful union to demand job quality policies, and the emergence of such a union or any similar social actor is made difficult by the privately-motivated incentives of interests of the main government actors and the lack of formality of the policy-making process.

Chapter 4

Case Study Continued - A Dirty Business: The Political Game in the Cleaning Industry in Mexico City

The Mexico City janitorial market is the 25th largest in the world, with estimated annual sales of US\$1,088.31 million (Lekuona, 2010). Of the approximately 150,000 workers in the industry, an estimated 50,000 (or one-third) work in the public sector and of these, approximately 15,000 (or one-tenth) work in buildings managed by the Mexico City government.²² Some of these contracts are very large, such as the Mexico City airport with over seven hundred workers, much larger than most private cleaning contracts. While large, the Mexico City cleaning industry is also one of the most disparate, given that while rental prices for high end office space are roughly on par with other global cities and cities in developed economies (average office rental price in Mexico City in 2013 was US\$25.34/mt sq/month)²³, the same is not true for worker standards.

1. Employment Quality for Janitors in Mexico City

We established previously that job quality is poor in the cleaning industry as a whole in Mexico City though we may note differences between the public sector and the private sector. In private sector buildings with sufficient resources to outsource cleaning services, such as in high-end office buildings, the government's role is to enforce national labor laws as well as protect the rights of workers to have union representation in order to negotiate for improved working conditions over time. However, given the high incidence of violations, the low percentage of workers receiving legally mandated benefits, and the lack of genuine union representation, it is clear the city's policies in the area are not

²² Researchers at PODER arrive at this estimation using an internal ANEL AC document which states that 50,000 cleaning jobs are in the public sector. Of these, 179 public contracts belong to federal agencies and 48 contracts belong to Mexico City agencies. While data on the numbers of workers per contract at the city level is unavailable, a very rough, proportional estimate would be about 15,000 or 10% of the cleaning market total.

²³ CB Richard Ellis Global Research and Consulting, Latin American Office Marketview, Q1 2013

sufficient to ensure quality employment and compliance with labor law. As noted, there are policy gaps and deficiencies in the implementation of labor inspections, which preclude effective union representation and allow illegal behavior by cleaning contractors to go unchallenged.

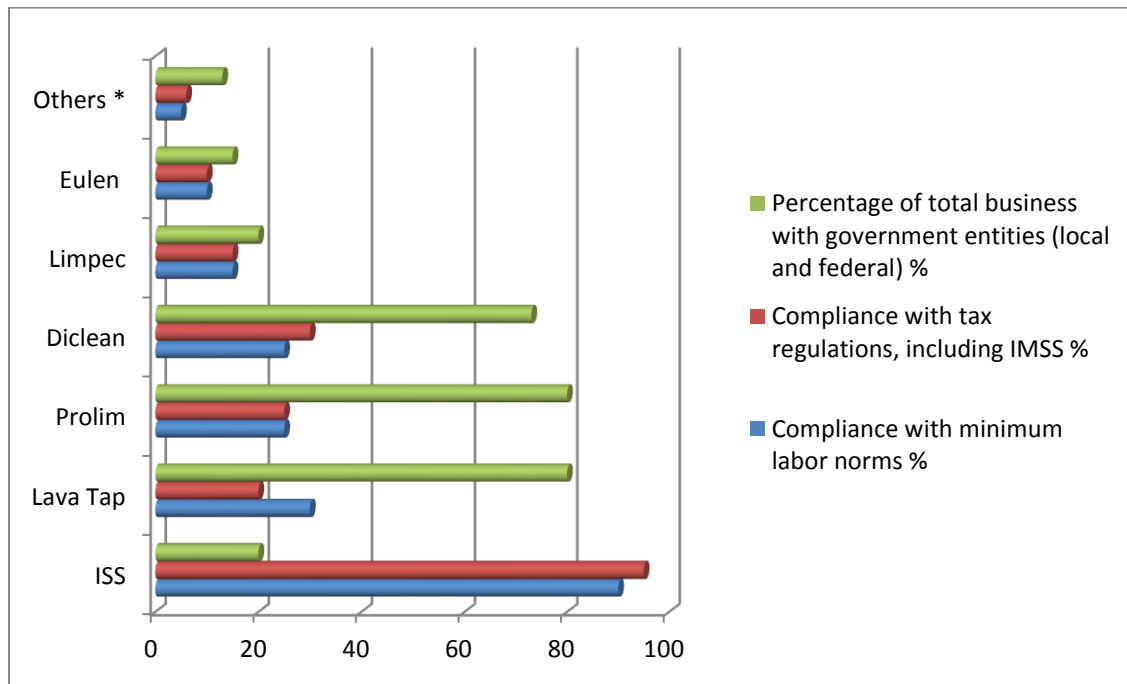
In the public sector, we saw that measures of job quality are actually worse in worksites where the city is the client. Here, the role of the Mexico City government is twofold – it is still responsible for upholding labor laws and as a client it is also responsible for defining the employment standards for the contractors which provide services. While the same policy gaps and deficiencies in enforcing labor law exist in the public and private sector, there are additional factors which currently degrade job quality in the public sector. Wages are roughly 15-25% lower in city buildings, rates of registration in the social security system are lower, and the high incidence of contractor turnover leads to additional problems with income levels and stability. Contractor turnovers are often associated with missing last paychecks, and also result in employees being dropped from IMSS (if they were registered) for short or long periods of time.

The policy gaps identified earlier contribute to these inferior working conditions. Without requirements and verification that service contractors obey legal and fiscal obligations and labor laws, the contractors hired to provide services often have a record of past evasions of responsibilities, or very short record of legal registration in order to hide these shortcomings. Without clear bidding and contracting policies in each agency, there is no impediment to very short-term cleaning contracts, or interrupted contracts, which facilitates the practice by some contractors of skipping paychecks and delaying or interrupting IMSS registration for employees. Finally, by not defining vague terms like “lowest solvent bid,” contractors are encouraged to submit the lowest bids possible and city officials allow contractors to obtain city contracts without establishing that their bid will cover all legal labor and fiscal obligations. Moreover, the exclusive emphasis on the lowest bid effectively shuts out responsible contractors who pursue business with the city while including provisions for social security payments, adequate wage levels and other measures of decent employment.

Recent reports from cleaning companies themselves, as well as civil society organizations that work with janitors in the city, support this analysis. Documents from a

recent meeting between the multinational cleaning contractor, ISS Facility Services, and the multinational union federation, UNI Global Union, include a chart showing the discrepancy between cleaning companies found to usually respect local labor law, and their likelihood to hold contracts in the public sector. While the chart includes both federal and city contracts in the public sector, it is still helpful in confirming the relevant patterns.

Fig. 10: Cleaning Company Behavior and City Contracts



*Companies such as Donald Clean, Brillo Lim, Stesso, Sacjtav, Felastec, Red Box, Claver, Briza, Omese, Impodium, Gelsa, Siglo XXI, Slaver, Limpiatec, Batia-Cheysler.
 Source: Data from surveys applied by the *Fundación en Pro de la Educación Sindical A.C.* as well as data from recent cases documented in city government buildings.

Extrapolating from this data and considering other low wage industries which provide services to the city’s government as well as to the growing real estate and financial sectors, such as food service, landscaping, private security, small package delivery and others, the potential scale of low wage and precarious work in the service sector becomes evident. Tourism and retail have similar job quality profiles, as do most of the low-skill service sector employment opportunities available through locally-sponsored job fairs and networks (EvaluaDF, 2010).

2. Actors in the Policy-Making Process affecting Janitorial Workers: Their Incentives and Resources

For the political game in Mexico City to result in policies which will improve job quality for janitors in Mexico City, the actors involved in the policy-making process must have both the incentives and the resources to pursue policy reforms. In the previous chapter, we examined some of the main stakeholders in the labor policy sub-system in the city, in particular some of the main government actors. Here we will examine the additional stakeholders who are key in terms of their relationships to the janitorial industry, looking at their personal and institutional preferences, power and limitations.

2.1 Additional Business Actors in the Cleaning Industry

As Munoz describes in her study of the janitorial industry in Mexico, the rise of the use of cleaning contractors in the public sector began as a cost-cutting measure in the 1980's, coinciding with a worldwide, neoliberal trend of slimming the public sector and avoiding direct social responsibility for employees in "peripheral" tasks, as well as allowing for greater flexibility. There are roughly three hundred and sixty cleaning companies active in Mexico now, though a precise count is difficult as the companies frequently change names and legal registrations (Munoz M. , 2007) (Lekuona, 2010). There is relative consensus about the industry's typical profit margins among the most salient competitors. The three most prominent companies - ISS, Lava Tap, and Prolim - have between 5 and 6% profit margins. The profit margin, however, is substantially more in the case of non-law abiding companies, which can have profit margins as high as 30% because they refuse to pay legally mandated benefits. In fact, because of predatory pricing, their gains, in large part, come from tax evasion (Lekuona 2010).

In 2010, the Project for Organizing, Development and Research (PODER) carried out field research at the request of the Service Employees International Union (SEIU), surveying the buildings which house 34 agencies of the Mexico City government. Based on conversations with workers and by observing their uniforms, it was found that within these buildings are 48 separate cleaning contracts, held by 29 cleaning companies. One

player, Francisco Antonio Ulloa Cruz, owns Techno Limpieza Ajusco which cleaned 18% of the city public locations in 2010, including:

- the Mexico City Metro lines 2,3, 6, 8, and a/10;
- part of the Chief Administrator's office;
- the Education Secretary;
- the Finance Secretary and
- the Collective Transportation System (STC) (Central and Juarez offices)

Of these, at least the two largest contracts, the Metro lines and the Finance Secretary, have been held for several years (Contrato STC-SNCS 039/2012, 2012) (Licitacion Publica Nacional 30001105-001-13, 2013). Another large player is Fernando Javier San Román Cervantes, who owns Excelgast, Festajec, Grupo CTR, Siklin, Sacjav, Ofbril, Cato Services and others. As a result, in 2010 this group held the contracts to clean the following city locations:

- the Mexico City airport (AICM);
- the Mexico City metro lines 1, 5, and 9;
- the Metrobus lines 2 and 3;
- the Secretary of Social Communications;
- the Government Secretary;
- the Hospital Balbuena (Secretary of Health);
- the Secretary of Public Security and
- the light rail service of the city.

In all, cleaning companies connected to six families, including those of Ulloa and San Ramon, dominate the cleaning market in government buildings in the city (Lekuona, 2010).

Janitorial businesses in Mexico are aggregated in five industry associations - the National Association of Cleaning Companies (ANEL AC), the Canacintra Section 118, the National Bipartite Association of Cleaning Companies (ANBEL AC), the Worldwide Cleaning Association (ISSA) and the Building Service Contractors Association International (BSCAI). The ISSA and the BSCAI are both local affiliates of international groupings of cleaning and multiservice contractors and their involvement in local debates on matters of public policy are minimal. The other three have clear, and often competing, policy preferences.

ANEL AC was founded in 1988, and is chaired by Luis Samir Kajab Robles, the owner of two cleaning companies (Master Cleaning and Mantenimiento Milsa) who currently do not hold any contracts with Mexico City agencies (though Master was invited to bid to clean the Human Rights Commission's offices in 2010). It has 23 members, including several companies noted to be relatively law-abiding actors in the industry, such as ISS and LavaTap, whose contracts are mostly in the private sector or some federal agencies. As PODER states, based on an interview with Mr. Kajab, ANEL AC's objectives are:

- 1) To set up a host of unifying criteria for what constitutes ethical practices in the sector;
- 2) To clarify the competition terms for public bidding; and
- 3) To promote policies that would disallow cutthroat competition in the public sector.

In the interview, Mr. Kajab goes on to explain that ANEL AC has worked locally (as well as nationally) to support public policies which would allow new actors to compete for contracts in buildings in Mexico City, by making the bidding process public, transparent and defining vague terms such as "solvent bid." In 2007, ANEL AC sent a letter to the Agustin Carstens, the head of Internal Revenue and Public Credit (SHCP) which protested that public contracts were being valued at much less than their real cost, as contractors were encouraged to omit expenses relating to taxes, IMSS payments and other legally-mandated benefits (ANEL A.C., 2007).

Canacintra Section 118, is the branch of the Chamber of Transformative Industries which represents cleaning companies, and has expressed positions and preferences similar to that of ANEL AC, claiming that its members are among the most stable and experienced contractors, with a track record of fulfilling their legal obligations (Resendiz, 2005). Many members of ANEL AC also belong to Canacintra 118 and vice versa. In 2003, Canacintra denounced the use of minimum pricing and "dumping" in bidding for Federal contracts, which excluded costs related to paying taxes and legally-mandated employee benefits, bringing the case before the Comptroller's Secretary (now the Secretary of Public Functions) (Resendiz, 2005). In the same complaint they allege that ANBEL AC and the CTM Section 15, actors who will be described further on, have acted in collusion to create a new industry association to defend these practices.

Canacintra Section 118 told interviewers that they had advocated to federal and local authorities for public policy reforms that would establish a minimum price for public contracts, one that would include the costs of labor when respecting the minimum wage and applicable laws. As they stated, a contractor who submitted a bid for less than the established minimum would be suspected of breaking the law and disqualified from consideration (Lekuona, 2010). In the same interview, Canacintra leaders also described how their advocacy activity helped modestly improve the federal Public Bidding and Acquisitions Law. Previously the law stated that contracts should be awarded based in lowest cost alone, in 2003 it was changed to include the term “solvent” when referring to criteria for selecting contractors (Lekuona, 2010). While “solvent” remains an unclear and therefore largely useless term, the reform indicates an acknowledgement that “lowest cost” alone invited fiscal and legal evasion by contractors in the bidding process.

ANBEL AC was established in the early 2000’s by Marco Antonio Reyes and several companies previously affiliated to Canacintra Section 118. Antonio Reyes is the son of Manuel Reyes Lopez, the General Secretary of CTM Section 15 (a union section known for protection contracts, particularly in the cleaning and other service industries, as will be later described).²⁴ Many of the companies belonging to ANBEL AC have at one time been expelled from public sector contracts after illegalities have been discovered. For example, Roice SA was removed from ISSSTE and banned from bidding on ISSSTE contracts for 3 years and 9 months, and its name was circulated in the Federal Registry in 2004 as ineligible for public work (Resendiz, 2005).

While the heads of ANEL AC and Canacintra Section 118 report that ANBEL AC has at times agreed to support a more public bidding process, they report that in practice, ANBEL AC has used its relationship with the CTM to have “workers” or hired thugs threaten the leaders of companies who advocate this position (Lekuona, 2010). One example in 2007 is that the Director of LavaTap was physically detained in the parking lot of a Mexico City building by members of the CTM Section 15, and prevented from turning in his company’s proposal to clean that building (Resendiz, 2005).

²⁴ Among the companies affiliated to ANBEL AC in 2007 were Acualimpios S.A.; MacClean S.A.; Limpieza Intercontinental S.A.; Roice, Excelencia en Limpieza; Limpidus; and Limpieza y Mantenimiento y Decoración OMARSA (Reséndiz, 2007)

In short, there are five industry associations, three with identifiable incentives and preferences in regard to the labor and employment policy of Mexico City. Of the three, two are ANEL AC and Canacintra Section 118, industry associations with somewhat overlapping memberships, made up of cleaning contractors who at least claim to obey current labor law, if not fully committed to providing quality employment. They are largely contractors who have not succeeded in obtaining contracts with the government of Mexico City and have an incentive to see the current labor policy reformed. Firstly, for them the government's current ineffectiveness as a regulator in applying federal labor law to city cleaning contractors (as well as private sector cleaning contractors) creates an unfair competition between contractors, as those who openly violate minimum wage and working hours regulations and who evade paying IMSS and other fiscal obligations, have lower labor costs than their more law-abiding competitors. In an industry where labor is the principal factor of production, and the principal expenditure, this competitive advantage is significant. Secondly, as a client, the current lack of a policy to ensure that city contractors comply with existing legal minimums opens the door for unscrupulous contractors to obtain contacts funded with public resources, and leaves contractors whose bids include realistic labor costs outside the bidding process. The contracting process in Mexico City provides little incentive for contractors to respect labor law, let alone promote employment of decent quality.

The third relevant industry association, ANBEL AC holds the opposite set of interests than ANEL AC and Canacintra Section 118. This association has members which have been cited by authorities for violating labor laws, particularly for neglecting to make IMSS payments for the workers it employs. Given the ease with which a cleaning contractor may change its legal registration to a new name and legal personality, legal charges by authorities have little power of dissuasion for labor law violators. This implies that their bids are submitted at below the actual labor costs of a particular contract, and that their business model relies upon sub-standard working conditions, rather than the creation of decent jobs. More over, leading figures within ANBEL's leadership, such its founder Marco Antonio Reyes, are closely aligned with a block of employer protection contract unions, to be described shortly. Their incentives are to avoid reforming Mexico City's ineffectual labor and employment policy, as the current

status quo provides them with access to public sector contracts and few practical restrictions on lowering labor costs by evading legal responsibilities and allowing substandard working conditions.

2.2 Additional Union Actors in the Cleaning Industry

As noted earlier, unions in Mexico City are largely shaped by two major models of unionism, the corporatist model of the main Mexican labor movement, including SUTGDF which we have described, and the model of protection contract unions (or sweetheart unions) which was developed with the encouragement of employers. As described in the theoretical framework, labor unions in Mexico with their roots in the corporatist model obtain their power from political relationships which give them access to policy- and decision-making processes, but which also serve to create boundaries outside of which these unions are unlikely to stray. In a similar way, employer protection contract unions obtain their power by maintaining a close relationship with employers (Bouzas, Oliver, & Vega, 2009) having generally either offered their services to employers or having been called upon by employers to as a means to evade worker-led unions, and they are unlikely to hold preferences which vary greatly from the employers'. While recent studies explore the possibility that some protection contract unions are merely weak, rather than intentionally reflecting employer preferences (Tilly, 2014), the final impact on bargaining capacity is similar. In both models of unionism, the incentives and preferences of the organizations legally representing workers may not accurately reflect the actual preferences of their members and other workers in society. As well, in both models of unionism there are few incentives to change the status quo.

Employer Protection Contract Unions in the Cleaning Sector

In 2009, a thorough study coordinated by Alfonso Bouzas found that 34 families dominate the labor movement in Mexico City, with a majority of the unions with collective bargaining agreements filed with the Mexico City Conciliation and Arbitration Board (JLCA) having a connection to these families. The great majority of these are

considered by analysts to be protection contract unions, and the majority of the unions in question are affiliated to the CTM (Bouzas, Oliver, & Vega, 2009).

In the cleaning sector, in 2007 Munoz found that there were twenty five unions registered with the local labor boards in Mexico City with the word “cleaning” in the name. Of these, eight were affiliated with the CTM, and several of the unions listed as independent shared the address of the CTM Section 15. Of these, the largest union in the janitorial sector, the Mexican Union of Maintenance, Conservation, Janitorial, Security and General Services Workers has held two hundred and twenty eight collective bargaining agreements since 1987 (Munoz M. , 2007).

This union is led by Manuel Reyes Lopez and belongs to the CTM Section 15, which is in turn led by Carlos Aceves del Olmo, who has been a Mexico City legislator several times and was a PRI Senator on the Labor Affairs Commission until 2012. Reyes Lopez’s son, Marco Antonio Reyes, is the Secretary of Relations of the union and, as mentioned previously, is also the head of the employers’ association ANBEL AC. Other members of the Del Olmo and Reyes Lopez families are positions within the union or lead other organizations related to the cleaning industry.²⁵ Another significant union in the group of protection contract unions in the cleaning industry is the Mexican Union of Maintenance and Cleaning Workers), which is affiliated to the COM. This union, led by Ramon Rivas Aguilar, represents the workers of Lavatap, one of the larger cleaning contractors in the city.

The nature of protection contracts in the cleaning industry is essentially that of a business or service to employers, rather than that of an organization of workers. For example, when the Danish cleaning multinational corporation ISS entered the janitorial market in Mexico City in 2006, it bought local companies San Rafael and Tap New and each company had a different union. In 2008, the Country Director for ISS in Mexico, Claus Madsen, explained to visiting union officials from the United States and Europe that they felt it would be simpler to negotiate with one union for its whole workforce. So ISS entered into discussions with each in order to choose its preferred union, “paid the exit fee” to leave the undesired union and requested that the other begin to represent the

²⁵ For a complete list of relationships, see Munoz 2007.

unified workforce. As the workers were unaware of either union, ISS executives saw little reason to consult with its employees. However, ISS then later required that the union begin holding meetings with its workers in order to uncover workplace issues and to hold yearly collective bargaining sessions, effectively teaching the union to function as a representative for workers' interests in order to comply with its Code of Conduct for labor matters and to avoid conflicts with the Danish trade unions in its European headquarters (C. Madsen, personal communication, April 18th, 2008).

Given that protection contract unions in the city essentially function as businesses, collecting fees in order to facilitate an employer's need for protection for independent unions, their incentives are to collect as many collective bargaining agreements as possible, and to ensure that their employer-partners obtain contracts to provide cleaning services. They have a strong preference against the development of an effective labor policy in the city. Effective regulation and inspection by the Mexico City government would address the labor violations that protection contract union permit, and would allow workers to organize more meaningful methods of representation. Effective practices as a client by the Mexico City government would open the bidding and contracting process to new actors and would eliminate the competitive advantage enjoyed by the employers who use protection contracts. In order to defend these interests, the majority of unions in the cleaning industry may count upon considerable resources. For one, they have the support of the employers who utilize their services, and as some of these unions hold many collective bargaining contracts, we may assume that some unions are quite well financed. In addition, numerous reports credit CTM Section 15 with using groups of thugs to intimidate competitors and workers who protest the protection contract system (Public Report of Review of NAO Submission, 1998) (Bouzas, Oliver, & Vega, 2009). Finally, actors within the Mexico City government are a source of power for these unions, given that those actors who should be regulating labor rights in the industry are often in collusion with the unions (Bouzas, Oliver, & Vega, 2009). Finally, by neglecting its role and responsibility as a client, the city is lending its de facto support to these unions by failing to challenge them.

Independent unions

Again, the presence of independent unions, those not dominated by either government or employer interests, in Mexico City is very small, due to the significant obstacles that independent unions experience when they attempt to organize, register and bargain. The nation's largest independent trade union federation, the National Workers Union (UNT), has only national unions as direct affiliates and little local presence in the city. Though one of UNT's affiliates does represent a small unit of Telmex cleaning employees, the union is registered nationally, not locally. In the service sector, STRACC is virtually the only independent, local union actor and its small size leaves it largely marginalized in policy-making.

2.3 Civil society organizations (CSOs) in the Cleaning Industry

Civil society participation in the policy-making process is minimal in Mexico City, due to the limiting nature of the structures in place to facilitate citizen input. Since becoming a quasi-autonomous federative entity with the ability to elect its own leadership in 1997, the city's mechanisms for citizen participation in governance have been dysfunctional (Javier & Fernandez, 2013). Nonetheless, there is a rich variety of non-profit and non-governmental organizations in Mexico's capital city, striving to impact the policy-making process at both a federal and local level. While matters related to labor policy, employment policy and employment quality would typically be the jurisdiction of trade unions, given the deficiencies of the Mexican labor movement several civil society organizations have emerged to fill the vacuum. One of these organizations is particularly relevant to the janitorial industry in Mexico City.

The Foundation in Support of Union Education (FUPES) is a civil society organization established in 2010 as a project of the North American union Service Employees International Union (SEIU). SEIU, representing 2.3 million service sector workers in the United States, Canada and Puerto Rico, has approximately 250,000 members of Mexican origin, many of whom work in the cleaning industry in American cities, with family members still in Mexico. As well, the union has bargaining relationships with many of actors in the real estate industry (such as property managers, cleaning contractors and tenants) who operate in both the U.S. and Mexico. In 2009, the

union opened an office in Mexico City to develop a program to improve working conditions for janitors there. A product of this project was the legal registration of FUPES, whose outreach team supported a group of cleaning workers in establishing a worker-led coalition, called the United Cleaning Workers Support Group (CTUL). While SEIU later closed its Mexico City office, FUPES continued to work with CTUL in training janitorial workers about their rights, building leadership skills and developing advocacy strategies to improve working conditions. FUPES now receives financial support from a joint fund established by UNI Global Union (a global grouping of service sector unions) and ISS, globally the largest cleaning contractor, under a framework agreement negotiated between the two organizations.

Given the powerful dominance of protection contract unions in the industry, FUPES and CTUL, as relative newcomers, have opted not to create a new union, preferring to focus on strategies to improve the enforcement of labor laws and the behavior of clients. While SEIU provided financial support, FUPES focused on the behavior of US-based private sector clients but now with UNI-ISS backing, the civil society organization has shifted its focus to the local public sector. FUPES and CTUL are now engaged in an effort to reform the bidding and contracting policies of Mexico City, at the level of each agency and each borough. In 2011, FUPES secured agreement from the labor committee of the city's legislature and the human rights commission to begin a pilot project to monitor working conditions in 3 public sector and 3 private sector buildings. The public sector buildings were that of the Legislature itself, as well as two GDF headquarters structures. As described in below in the section on political arenas, in 2012, FUPES and CTUL representatives signed an agreement with the Borough of Tlalpan to monitor cleaning contracts there, and to resolve violations of labor law committed by contractors with the support of the Borough (M.M. Hernandez, personal communication, Oct. 4th, 2013). Despite its innovation, as a NGO actor in the political game, FUPES is a weak player with few resources beyond moral authority and creativity. Its annual budget is small at US\$136,000 in 2013, its political relationships are few and its membership base is limited. Moreover, it lacks the legal recognition to represent janitorial workers in negotiations. While able to affect the political at the margins around the labor policy sub-system and at least raise employment quality issues

for janitors in the city, it is unable to compete with the resources brought to the game by other union, employer and political actors.

Fig. 11 - Additional Stakeholders in the Janitorial Industry in Mexico City

Player name	Sector	Position	Power
ANBEL A.C.	Private	High Opposition	High
ANEL A.C.	Private	Medium Support	Medium
Canacintra Sec.118	Private	Medium Support	Medium
CCPPs	Social	High Opposition	High
CSOs (FUPES)	Social	High Support	Low
Independent unions (UNT/STRACC)	Social	High Support	Low
SUTGDF	Social	Non-Mobilized	High

Fig. 12 - Support for Job Quality Policies among Stakeholders in the Janitorial Industry in Mexico City



Source: Own elaboration using PolicyMaker 4.0

3. In who's interest? The Public Oriented-ness of actors in the Policy-Making Process affecting janitorial workers

In the last chapter, we identified how the PRD's model of left government, its internal system of currents and factions and the enduring system of clientelism in Mexican politics affected the degree to which private, and particularly political, interests influenced the city's decision-making process in general. At a more micro level, the lack of public oriented-ness of the players who affect job quality in the service sector may be seen in how the city approaches its roles as a regulator for and a client of the cleaning industry. Again, we return to how the government as actor in the policy-making process is also a filter for external economic forces, with a large role in determining how those economic forces affect job quality and labor rights.

The competitive model of the cleaning industry in Mexico City, like most outsourced service industries, is based upon low salaries. As an industry with low capital investment, contractors may compete based on labor costs (mostly salaries) or on efficiency and service. In cities where cleaning workers have secured industrial collective bargaining agreements which set a floor for wages, competition will occur based on service and efficiency, because labor costs are relatively fixed. In some cases, sectoral bargaining occurs with state support, setting minimum labor standards, such as in Uruguay,²⁶ in others instances bargaining occurs directly with employer associations due to the presence of a strong union with effective strategies, such as in several North American cities where SEIU achieved city-wide bargaining for janitors.²⁷ However, in Mexico City, as private employers and governments seek to lower expenses, they have depended on outsourced services, such as cleaning, meaning that the industry exists with the express purpose of using triangular employer relationships to lower labor costs. With neither a strong union nor the State as actors advocating for, or enforcing, minimum labor standards, in practice the cleaning industry competes on cost, principally low labor costs.

²⁶ "Convenios Colectivos," Diario Oficial Republica Oriental de Uruguay, 2013.

²⁷ "How Workers Win," SEIU, <http://www.seiu.org/a/propertyservices/how-workers-are-winning-with-seiu.php>, 2014.

As a regulator, the city government has the role of enforcing federal labor laws in the city, but it also brings to its tasks its preferences for lowering expenses. In an interview, a mid-level official in the Inspection Division of the STyFE described how technically his department has the autonomy to carry out inspections in local service industries, as the Director of the division decides what type of companies they will focus on. While asserting that cleaning companies were some of the worst employers in the city (along with construction companies), he acknowledged that they were rarely asked to inspect them. When asked why, his opinion was that the city government was reluctant to challenge the poor conditions in the cleaning industry as a whole, because raising standards in the industry would increase costs for the state as well. He noted that the city saved a lot of money using cleaning contractors, while many of the cleaners in his own building, for example, went without IMSS and other social benefits. If those jobs improved in standards, the costs would be several thousand pesos more per worker in labor expenses:

“Cleaning companies use workers with little education, many are elderly and they take advantage of that. If conditions improved, they would need to start paying workers more and the city would not save as much money. Plus workers are afraid to talk, they are very vulnerable and the employers intimidate them. I think the city likes to be able to have lots of janitors visible in their buildings, always there in case you need to have a spill cleaned up or something done, without having to pay for it like they would if the workers were regular employees...”
(M.A. Camargo, personal communication, June 24th, 2014)

As a player in the political game acting in the public interest, the city government would carry out its role as regulator or enforcer in such a way that basic labor laws are upheld, at least to the greatest extent possible within the limitations of budget and resources. However, in practice, the city also holds preferences that make it reluctant to take actions that would change the current competitive model of the local cleaning industry. While an overall public problem is the lack of quality employment in the service sector, this competes within the city’s decision-making process for the more immediate interest of saving on labor costs. Moreover, changing the low-wage competitive model in cleaning, including in the private sector, could open the door to changing the model in other industries, opening the door to risks of higher expenses in other areas. The current model amounts to a comfortable status quo for the main

decision-makers in the labor policy sub-system, which the main players have few incentives to change.

As a client, the local government as a player in the policy-making process experiences an even greater pull between acting in the public interest – addressing matters of job quality within its contractors – and its other preferences to reduce expenses. While using public resources efficiently is an important public good, and there should not be waste in the contracting of public services, employment quality is also a public issue and a credible policy will strike a balance between finding contractors who provide a service efficiently without undermining other public goals such as job quality (or protecting the environment, upholding construction codes or other diverse goals). To find this balance, as noted, a local government will typically request bids for services within certain parameters, ensuring that certain norms are met. Mexico City does this, for example, with environmental issues, empowering each city agency to decide when to require that contractors to include an environmental impact study in their bids to be eligible for contracts with the city, a policy which reflects an orientation towards the overall public interest.²⁸

However, as described earlier, there are no policies in place to ensure that cleaning contractors who bid for contracts with the city create quality employment or at least respect minimum labor laws. Given a model of competition based on low labor costs, in practice, this absence of a policy means that it is very difficult for cleaning companies to both respect labor and fiscal laws and compete to obtain contracts with the city. The Human Resources Director of ISS, Jorge Alonso Diaz described their experience bidding with the city in a public forum sponsored by the Mexico City Legislative Assembly on November 14th, 2013. In a powerpoint presentation, he showed the format that the city provides to bidders to describe their bid. The format is missing a section to include payments to IMSS and other taxes for social benefits. As he relates, when ISS asked where to include such expenses, it was explained that most contractors don't pay them, or include them in the section under wages. ISS was free to add such expenses, they were told, but since they were competing based on cost and the city was

²⁸ “REGLAMENTO DE IMPACTO AMBIENTAL Y RIESGO,” Gaceta Oficial del Distrito Federal, 2004.

required to take the lowest bid, adding such legally-mandated payments would be detrimental to their ability to compete (J. Alonso Diaz, personal communication, Nov. 14th, 2012).

As such, the prevailing competitive model in the janitorial industry, based on low wages, encourages job conditions of informality and precariousness as it does in many global cities where the rise of service industries has led to an increasing reliance on new and non-traditional employer relations, subcontracted and low wage labor. However, as Mosely posits, the degree to which such a universal economic model is allowed to impact employment quality is also result a government's ability to act as a filter and mitigate its effects. A local government can develop policies to ensure that its own bidding processes set minimum labor conditions, and encourage competition to a greater extent upon quality and service, and to a lesser extent on low salaries and the evasion of legal responsibilities. However, in this case the government's interest as a player in the political game includes having the cleaning industry's low wages continue, and there is little incentive to move beyond that immediate budgetary benefit to develop a publically-oriented policy promoting decent employment among employers with city contracts.

4. Playing by whose rules? Degree of institutionalization in the policy-making process and the cleaning industry

In the previous chapter we described how in Mexico City the weak institutions inherited by the PRD Administrations from the PRI means that while labor laws are generally adequate for establishing minimum levels of employment quality, in practice they are implemented and enforced poorly. For cleaning workers, whether sub-contracted or not, there are laws on the books that in theory guarantee janitors a minimum wage, limits on work hours and access to social security benefits. In the bidding process, the nation's Constitution and public acquisitions laws stipulate that service contracts should be competitively bid, within the framework of other legal mandates. In reality, as we saw, these rights and requirements are commonly violated, in large part due to the lack of capacity or will on the part of the institutions intended to uphold labor laws.

In its role as regulator, we have already discussed how there are problems with the city's incentives and ability to adequately enforce labor law, even in the service sector

where it has a degree of jurisdiction to do so. The official previously cited from the Inspections Division described some of the structural issues built into how the inspection process unfolds in service industries such as cleaning. Generally, he explained, they prioritize worksites by size, not necessarily by sector, which tends to mean that high-violation industries such as construction and cleaning are overlooked. Also, inspections are done in a single visit, to the registered address of the employer. This means that inspectors cannot always see the whole workforce in industries with shiftwork, multiple locations and evening hours, as in cleaning, and therefore cannot assess how many workers should be registered in IMSS, for example. The Human Resources Director of ISS confirmed that the one time they were inspected by the Mexico City's team of inspectors from STyFE, it was a single visit to their headquarters to review documents, not visits to worksites (J. Alonso Diaz, personal communication, July 15th, 2014).

To carry out a more complete inspection, the Inspection Division official explained, would require several visits over several days, but this would only be reported as one inspection. Given the pressure the Division receives to report as many inspections as possible, those leading this bureaucracy have weak incentives to inspect service industries, with their multiple worksites and rotating staffs, opting instead for more concentrated worksites that may be completed and reportable in one visit (M.A. Camargo, personal communication, June 24th, 2014)

LEY DE ADQUISICIONES PARA EL DISTRITO FEDERAL

Capítulo III: De la licitación pública

Artículo 26.- *Las adquisiciones, arrendamientos y prestación de servicios, se llevarán a cabo, por regla general, a través de licitaciones públicas mediante convocatoria pública, para que libremente se presenten propuestas solventes en sobre cerrado, que serán abiertos públicamente, a fin de asegurar a la Administración Pública del Distrito Federal las mejores condiciones disponibles en cuanto a precio, calidad, financiamiento, oportunidad y demás circunstancias pertinentes, de conformidad con lo establecido en la presente Ley.*

No habrá procedimientos distintos a lo previsto en los artículos 54, 55 y 57 de este ordenamiento que faculten a ninguna autoridad del Distrito Federal a realizar adquisiciones, arrendamientos y prestación de servicios sin ajustarse al procedimiento de licitación pública. Los servidores públicos que incumplan con este precepto serán responsables en términos de lo dispuesto por la legislación de responsabilidades administrativas aplicable.

Artículo 27.- *Las dependencias, órganos desconcentrados, delegaciones y entidades, bajo su responsabilidad, podrán contratar adquisiciones, arrendamientos y prestación de servicios, mediante los procedimientos que a continuación se señalan:*

- a). Licitación pública;*
 - b). Por invitación restringida a cuando menos tres proveedores; y*
 - c). Adjudicación directa.*
-

In situations where the city government is a client, or consumer of services, the issue of weak channels for policy-making and enforcement is even more pronounced. In this case, we can look at the example of how the Mexico City government and its dependencies carry out bidding for cleaning contracts and selecting a contractor. As described earlier, the process for private acquisitions such as contracts for services should be given through public, open bidding procedures, managed by each city agency's acquisitions committee. Article 134 of the Mexican Constitution requires that services be contracted through open bidding, taking into account cost-effectiveness, transparency and integrity. The Mexico City Acquisitions Law includes these same requirements in Article 26, but – rather contradictorily – in Article 27 also allows for tri-company bids, inviting just three selected contractors to bid, or direct adjudication, where a contract is awarded without competition. However, the law still requires that contracts be awarded on the basis of the contractor's ability to deliver a quality service at the best price, and that each agency have an acquisitions committee with the responsibility for designing and managing a transparent bidding process.

In reality, this legal framework for awarding cleaning and other services contracts, with public bid specifications and open competition, is rarely respected in most city boroughs and agencies (Lekuona, 2010). Many city contracts are awarded through direct adjudication, where a contractor is essentially selected by a local official. The process of developing bid specs and holding contractors accountable to them may vary widely – and with weak institutional oversight, lower-level players in Mexico City's labor policy subsystem have a considerable degree of discretion over how city agencies behave as clients, in turn affecting job quality in the jobs created through city contracts.

The Borough of Tlalpan is a good example, as one of the larger boroughs in Mexico City, in terms of both geographic size and population. Until 2012, the Borough Head was Higinio Chavez Garcia, whose administration has had issues of corruption. For example, the General Director of Administration was charged and removed from office by the city's Auditor for inappropriately using direct adjudication to award contracts to family members (Robles, 2013). For several years, its public spaces and buildings were cleaned by a series of cleaning contractors with short-term contracts, whose monthly price to the borough varied widely, at times with abrupt increases. Most (though not all)

of the cleaning contracts from 2009 to 2012 were obtained through public information requests and are compared and described in Figure 13, below.

While the contracts described the payments to be made, none specified the number of workers to be hired, or language about employee conditions, wage levels or legally mandated social benefits such as IMSS. All of the contracts had language about the quality of materials to be used, and described the penalties for violating this condition. However, only four of the contracts had language requiring that contractors provide documents showing that current employees were registered in IMSS, and this was not connected to a penalty or condition of the contract. Of the seven contracts, five were directly adjudicated and two were limited to three contractors. Two contracts appeared to be signed with individuals, rather than legally constituted cleaning companies.

During 2012, staff of the civil society organization FUPES interviewed most of the 120 employees of the borough and found that while the price charged to the borough rose sporadically, the contractor maintained a constant staffing level, paying all workers \$71.69 pesos a day (US\$5.55) regardless of seniority, and workers reported no pay increases (M.M. Hernandez, personal communication, Oct. 4th, 2013). In addition, only 30 of the 120 employees were enrolled in IMSS. As such, the borough was not using bidding procedures to ensure that minimum labor laws were being enforced by its contractors, let alone to engage in additional policy-making activities to improve job quality.

Fig. 13 - Cleaning Contracts in the Tlalpan Borough 2009-2014²⁹

Year	Company	Legal representative	Total contract value	Duration	Cost/month (incl. IVA)	Bidding method and Notes
2009 (Jan)	Limpieza y Mtmto Tecnico Hotelero SA de CV	Mauricio Rodriguez Rojas	\$538,720	1 month	\$538,720	Direct adjudication
2009 (Feb-Oct)	Limpieza y Mtmto Tecnico Hotelero SA de CV	Mauricio Rodriguez Rojas	\$5,715,804	9 months	\$635,059	Bidding limited to 3 providers
2010 (Mar-Oct)	No name	Juan Manuel Escarpita Garcia	\$5,833,872	8 months	\$729,234	Direct adjudication, Contract appears signed with individual, not company
2011 (Jan-Feb)	No name	Antonio Arellano Huitron	\$1,399,999	2 months	\$699,999	Direct adjudication, Contract appears signed with individual, not company
2012 (Sep-Dec)	Construcción y Servicios Briza SA de CV	Hugo Israel Bricker Jimenez	\$2,614,215	3 months	\$871,405	Bidding limited to 3 providers
2012 (Jan-Feb)	Grupo Master Maritillanes SC de RL de CV	Hector Moreno Fuentes	\$1,332,353	2 months	\$666,176	Direct adjudication
2012 (June-Dec)	Male Choice SA de CV	Jacinto Gildardo Melo Marroquin	\$4,457,022	7 months	\$636,715	Direct adjudication

Source: Own elaboration, based on contracts made public after InfoDF information requests, some months are missing. Contract numbers DT-2009-019PS; DT-2009-037PS; DT-2011-007PS; DT-2012-010PS; DT-2012-086PS; DT-2012-126PS; DT-2010-054PS

²⁹ Notes:

- Until 2013, none of the contracts included the number of workers hired, their salaries or benefits or a breakdown by man-hours.
- None of the contracts included a breakdown of supplies vs labor costs.
- Contract values vary, mostly rising, while workers report that their salaries did not change, nor the total number of workers.
- Though company names changed with each contract, workers reported to the same location (an individual's house) when there were problems with paychecks or other administrative matters.

This practice appears to be widespread in the city. The large 2012 contract between Techno Limpieza Ajusco and the city's metro system was also granted through direct adjudication.³⁰ At the Secretary of Labor's offices, the cleaning contract was granted without competitive bidding, through direct adjudication, to a supposed cooperative company.³¹ However, when FUPES surveyed the 29 workers, none had any of the legal social benefits such as IMSS, they were paid in cash (MXN\$1300 every two weeks) and they had paid \$2000 pesos to the cooperative to obtain their positions without receiving profit sharing or other benefits that would imply the company was really cooperatively owned (FUPES, 2014)³².

Finally, some cleaning companies themselves have expressed concern about the lack of competitive bidding and poor oversight. In Figure 10 we saw that ISS is a cleaning contractor with few public sector contracts. In an interview, their Human Resources Director confirmed that they do not have a single contract with the Mexico City government, in large part because there are rarely open calls for bidding. When there are, as noted earlier, the bidding process does not allow for a breakdown of cost structures and companies which intend to pay all the legal and fiscal obligations of their workforce find themselves at a competitive disadvantage (J. Alonso Diaz, personal communication, July 15th, 2014).

Overall, the process to select cleaning contractors in the city reflects weak institutional processes, where despite the existence of laws to ensure minimum labor standards as well as competitive bidding, a lack of effective implementation means that in practice these goals are not upheld. The policy-making process includes implementation and it is particularly in this area where the competitive model in the cleaning industry, as well as a lack of social actors demanding change, unites with weak institutions to maintain the status quo while allowing job quality to stagnate.

³⁰ Contrato STC-SNCS 039/2012

³¹ Contrato No. STyFE/DA/01/13

³² There are presently negotiations underway with the current Labor Minister to address this, with plans to sign an agreement similar to the one in Tlalpan on July 31st, 2014.

5. Who is advocating for improved job quality? The lack of independent unions or other social actors in the cleaning industry

As we have seen, the status quo on matters of employment quality in Mexico City has been durable, including after the advent of the PRD governments. For many of the key players in the government, it was preferable to leave labor policies and bidding processes relatively untouched, although this meant that problems of precarious labor and poor job quality went unaddressed. This is not to say that there are extremely strong veto players opposed to improvements in job quality. Indeed, we have seen that in the business community, preferences are not universal, and some employers such as those in the ANEL cleaning company association have supported policy reform which would improve job quality. Among government players, what is pronounced is a preference to address poverty with social programs rather than labor and employment policies, and indifference to job quality, but not necessarily a rigid position against improved labor standards per se. However, with no strong social actor advocating for job quality, this tepid opposition is sufficient to maintain the status quo.

Therefore, the lack of a social actor – in particular, an independent union with strength – in the cleaning industry is the final significant reason for the stability of the labor policy subsystem. In Mexico City, returning to the case of the Tlaplan borough, we can see how the policy-making process might unfold differently with the presence of actors demanding policy changes. In 2013, FUPES and a group of the cleaning employees approached the new Borough Head Maricela Contreras Julian, to describe the situation for cleaning workers in the borough's properties and propose signing an agreement to monitor the behavior of the cleaning contractor and its compliance with labor laws. As a new political actor, Contreras' political discourse during her election campaign focused on transparency, and she and her new General Director for Administration, entered office to find that the borough's financial situation was troubled with a lack of documentation for many service contracts. Therefore, their interests and preferences made them inclined to support FUPES proposal to monitor future cleaning contracts in order to signal a break from practices of the previous Administration. Moreover, Contreras' background is from organizations supporting women's rights, making her sympathetic to a largely female workforce.

Therefore, in April of 2013, FUPES and borough representatives signed an Agreement creating a system where FUPES representatives would send a monthly report to the borough, informing them of labor law violations and the borough agreed to ensure that the contractor remedied the situation within a month or be subject to losing the contract. In addition, the next contract signed between the cleaning contractor, Rey y Cia, S.A de C.V., and the borough included language requiring the contractor to fulfill all legal obligations under the LFT, including the payment of contributions into the social security system. While there has yet to be a significant pay increase for janitorial workers, within three months of signing the agreement, IMSS records showed that the number of workers correctly enrolled in IMSS went from 30 to 120 (of 120 workers) (M.M. Hernandez, personal communication, Oct. 4th, 2013).

While promising, this agreement and its positive impact on job quality for this group of workers was unique in the city, and not representative of an overall policy change. As well, FUPES and the cleaning workers have been unable to sign the Agreement for a second year, as borough officials are now seeking approval from the city's Chief Administrator's, without success thus far, before committing to a longer-term change in the status quo (M.M. Hernandez, personal communication, July 8th, 2014). Apparently, FUPES, dynamic but very small, was able to take advantage of an opening created by the preferences of a newly-arrived policy actor – a new borough head in Tlalpan – but it is unlikely to be able to effect overall policy change in the city. As an actor, its resources are too small, and other, more powerful social actors are unable to emerge.

Despite the presence of a government with leftist rhetoric, the current balance of power in the labor policy subsystem between protection contract unions, some employers, and the government reflects a consensus between players to keep things the way they are in the cleaning industry. This occurs at a cost, both in rising levels of precariousness among workers and potentially in rising costs to the city due to uncompetitive bidding for services. However, the “insiders” to this system also reap benefits. Favored employers win contracts with the city, protection contract unions maintain their livelihoods, and lower-level city officials retain their discretion within the contracting processes (and the resulting lack of transparency leads to speculation of

kickbacks, though evidence of this is hard to obtain). This balance in the granting of cleaning contracts is maintained by keeping new players out. A union such as SUTGDF may have the size and power to influence the city's policy-making process in favor of using public resources to create quality jobs, but it has shown no inclination to do so.

As a result, a circular dynamic or perverse equilibrium exists, where PRD Administrations since 1997 have not been supportive of allowing new union actors to emerge, much less enter the policy-making process, out of a fear of changing the current status quo. However, without new union actors, there is no one to advocate for job quality policies in the service sector, a fact confirmed in interviews with the current Labor Minister (P. Mercado, personal communication, July 17th, 2014). Small efforts by civil society actors show us that the opposition to job quality policies may dissolve in moments of aligned preferences, but that it will require a sufficiently large social actor in the political game to result in lasting policy changes.

Chapter 5

Conclusions: The Political Game in the Cleaning Industry in Mexico City

After 16 years with the PRD in power and despite a thriving service sector-driven economy, there is still a significant problem with a lack of quality employment in Mexico City. As we have established, in some industries such as the cleaning industry, employment quality is actually worse when public entities are the clients than in the private sector. As such, we began this investigation with the research question: Given the range of actions available to a metropolitan government, as a) a sizable client/consumer of services and b) a regulator; why has Mexico City failed to develop a policy to promote good quality jobs?

Our hypothesis was:

The presence of a policy to promote quality employment in the service sector at a local or city government level is correlated with:

- 1) The degree of public oriented-ness of the interests of the major players in the policy-making process (as opposed to the pursuit of private interests.).
- 2) The degree of institutionalization of its policy-making process.
- 3) The presence of strong, independent and democratic unions as actors in the city's policy-making process.

To test this hypothesis we looked the policy-making process of Mexico City, its actors and their preferences, resources, incentives and limitations, in the political game, using the janitorial industry as a concrete example with which to examine the overall case study.

1. Analysis of Variables

As a first step, in Section 2.4, we described the dependent variable, the lack of a policy to promote quality employment in the service sector at a local or city government level, in its role as a regulator, referring to a consistent and universal application of

existing labor laws to employers in the service sector and in its role as a consumer/client, referring to a fair and transparent bidding process for service providers on city contracts, ensuring that employment dependent upon public resources includes mechanisms to ensure compliance with all labor and fiscal legal obligations.

A job quality policy should be credible, meaning the policy is perceived as being pertinent to the issue, permanent and enforced. According to our indicators, this means the policy should be stable or predictable; adaptable; coordinated and coherent across the government; be implemented and enforced and oriented towards the public interest. In terms of stability, we saw in Figure 3 that the status quo is to have essentially no labor policy elements that address the problem of job quality. As well, efforts by EvaluaDF and others to address these deficiencies have gone without response and essentially no city-wide action has been taken and sustained to create job quality policies. So the lack of a policy is not only stable, but rigid, the city has been unable to use existing channels to improve or adjust policy as needs change with the rise of new the service sector and new employment modalities. The degree of coordination across the government is minimal, given that there is a public discourse about being the city of rights, and concern is expressed about growing levels of informality in the city, yet the agencies tasked with addressing these problems have yet to do so.

A major issue may be found in the area of enforcement and implementation – while laws protecting labor rights exist, as well as laws to ensure transparency and competitiveness in the city’s contracting and purchasing policies, in practice these go largely unenforced. In fact, in recent decades the focus in Mexico City on job creation and on cost-cutting in order to offset social spending, has created incentives to leave legal protections unenforced, to avoid the risk of job loss or increased administrative expenses. So, our previous point, the degree of coordination across the city, is very low, and enforcement is low. Finally, the question of the policy’s orientation towards the public interest, while elements of labor policy may address public needs – job training, unemployment insurance – the need to address job quality and minimum labor standards has been supplanted by the city’s reliance on social policies to address poverty rather than to improve the working conditions of those employed so that they do not require such poverty-alleviating programs. But the majority of key actors in the policy-making

process are motivated by electoral concerns and a private or personal concern with furthering the interests of their faction of the PRD, and so policy-making is oriented more towards maintaining an electoral base than towards addressing one of the root causes of poverty in the city, including job quality.

As such, in all indicators, policies to address job quality in the service sector lack credibility, to such an extent that the policy is essentially non-existent. While small, isolated initiatives have occurred, such as the short-lived agreement to improve conditions for cleaning workers contracted by the Tlalpan borough, these breakthroughs have only occurred when there is a temporary shift in the incentives of a particular lawmaker, and to date they have served more to show what could be accomplished in addressing job quality and the obstacles to making such policy adjustments permanent, rather than to signal a shift in policy priorities of the city. Overall, the city has no credible policy to protect job quality, and this is reflected in the extremely poor quality employment found in the cleaning industry, a problem particularly dramatic in contracts where the city is the client.

Of our independent variables, perhaps the most surprising is the lack of public oriented-ness of the interests of the major players in the policy-making process. As a government led by a leftist party, the PRD, for 17 years, a reasonable assumption is that steps would be taken to improve the employment experience of Mexico City's population. However, we have seen that the interests motivating the main actors in the policy-making process often lean towards short-term needs of political expediency rather than developing long-term policy solutions which solve public problems.

First, there has been a clear pattern over the 4 administrations to favor social policy with significantly more resources and attention than labor policies. The Secretariat of Social Development has grown from a small office to one which manages at least 25% of the city's budget, while the both Labor Secretariat's budget and the budget for the JLCA have rarely passed 1% of the same. In terms of political resources, that pattern holds, as the actors chosen for Secretary of Social Development have almost always enjoyed an extremely close relationship with the current mayor and have come from the same PRD faction as he does. As result, Social Development Secretaries are able to wield considerable political power and also often accumulate sufficient power and

standing to later advance their political careers. Meanwhile, Labor Secretaries have had a much smaller role in the city's political life, with little influence and a more casual approach to their appointments.

While social policies and programs are clearly valuable to the poorest citizens of Mexico City, this degree of emphasis does not solely reflect a concern with the public interest. Given the tremendous amount of public resources that are spent on these programs, the public interest would also include policies designed to minimize the poverty levels in the city, and therefore their necessity. Rather, within a political system that has always leaned towards clientelism, PRD leaders in the city have prioritized the need to build a political base and have chosen to do that through popular social programs, rather than through labor reforms. We have seen that as a Left government of an electoral-professional bent, the city does not have a base of union, popular or mass-based organizations, and social policies allow it to compensate for that deficiency. Moreover, the PRD as a whole has opted to operate within the boundaries of the existing neo-liberal economic model, its goal is not the dramatic reform of an economic system. As a result, it has been reluctant to confront business interests or even to send a message that the economic status quo will change under their rule. As such, the government led by the PRD has not filtered external economic forces, such as the rapid spread of subcontracting and triangular employment relationships, in such a way as to improve job quality, despite healthy growth in the service sector.

Also, it appears that the PRD's internal, quasi-official system of governance among factions motivates political leaders to address the policy-making process with a set of concerns related to the advancement of their party and their advancement within the party, which may displace the public interest as a central priority in developing policy. As the PRD divides the power to govern among the most powerful factions of the party, policy-making often reflects what will build that power. Altering the status quo among actors with job quality policies is a risky undertaking that could alienate certain supporters in the business community and which does not necessarily respond to any organized electoral constituency in the labor community. As such, few political players are motivated to stray from the internal norms of the PRD, and no significant current of the PRD is advocating for improved labor law enforcement or better contracting policies.

Overall then, returning to our indicators for this variable, the policy-making process is not reflective of the interests of all segments of the Mexico City public, rather it is directed towards the poorest segments of the population and the political leaders who rely on their electoral support. High levels of social spending do not necessarily protect public resources. The rule of law is only weakly upheld, given that we have seen how labor law enforcement and labor inspections are inadequate, especially in service sector industries such as cleaning, and that the bidding process for service contractors lacks transparency and open competition. Given the lack of enforcement, while the few current laws that exist to protect job quality are fairly congruent with other policy goals on paper, in practice they are often at cross-purposes. Finally, in terms of being a policy process which seeks to protect public goods, including social and labor institutions, the current process falls short as key labor institutions are frequently undermined by a policy-making process which prioritizes short-term political needs over the long-term construction and support of such institutions. In short, the policy-making process of Mexico City generally lacks an orientation towards the broader public interest.

Our second variable relates to the institutionalization of the policy process. As we have seen, the current PRD government inherited a weak set of institutions from the PRI, and policy-making often bypasses legitimate channels in its design, evaluation and implementation. Official and legally binding recommendations for reform by EvaluaDF went unheeded, while other non-legislating agencies effectively created policy by exceeding their jurisdictions, such as the JLCA's Notice of Updated Criteria. Implementation and enforcement is a particular institutional weakness, as labor laws are poorly enforced and contracting laws often circumvented through direct adjudication. Therefore, according to our indicators, policy decisions are often not decided in publically accessible, legally established settings, but in private meetings where not all affected parties have access. The structures established for policy evaluation and adjustment may be neglected. Weak oversight means that decisions on contracting processes are often left to the discretion of individual actors, effectively limiting the ability of affected parties to engage in the process. The capacity and will of institutions to enforce policy decisions, as noted, is notoriously low and laws and policies may pass

with little notable impact on the behavior of the actors involved. Overall, the policy-making process in Mexico City is weakly institutionalized.

Finally, we may evaluate our third variable, the presence of strong, independent and democratic unions as social actors in the city's policy-making process. Mexico City has a notable lack of powerful social actors overall, and trade unions in particular. In general, unions in the city are either corporatist organizations entwined with state interests, such as SUTGDF, or employer protection contract unions with little interest in representing workers' interests before employers. Given the city's poor enforcement of labor law, the independent or democratic trade union movement in the city has confronted extraordinary challenges in organizing, as we saw in the case of the STRACC, and has yet to grow to size that it may participate in the policy-making process with adequate power or influence. Civil society organizations such as FUPES have attempted to fill in the gap created by the dearth of independent unions, but structurally they lack sizeable memberships and the legal recognition to bargain on behalf of workers, and so their long-term impact on the policy-making process has been modest.

As such, according to our indicators, while unions do exist in the service sector in Mexico City, there is no one union which unites the criteria of strong, independent, internally democratic and active in the policy-making process. SUTGDF is fairly strong, but neither independent nor active in the labor policy subsystem. Employer protection contract unions have some ties to the policy-making process, and also a role in keeping new actors out of the process, but are not independent and are at times weak. Finally, independent unions and some civil society organizations have attempted to influence the policy process, but lack the power to have a significant impact.

In all, our hypothesis is validated by this case study. In Mexico City, the lack of a credible policy to improve job quality in service sector employment is directly related to the lack of strong, independent and democratic unions as actors in the city's policy-making process; a low degree of institutionalization in its policy-making process and a lack of public oriented-ness of the interests of the major players in the policy-making process. These three variables are self-reinforcing, working to both shape the current policy-making process as well as to maintain the current status quo and keep new actors and incentives out of the process.

2. Looking Forward

Relating the lack of progress on creating policies to improve job quality to three features of the Mexican political system that have been resistant to change for decades leaves us with a depressing view of the future. Changing the current status quo and allowing new actors, incentives and resources into the political game will be a challenge. However, some promising developments in Mexico City in the past few months gives cause for optimism. One is that under a national constitutional reform in 2011, labor rights have been included within the scope of human rights, and therefore are now within the jurisdiction of the City's Human Rights Commission. This creates a new channel for addressing policy deficiencies. In addition, as part of a 2008 city-wide diagnostic on the reforms needed to improve human right in the city, hundreds of actions steps were identified, some having to do with labor policies and employment quality. The newly formed Citizens Forums (*Espacios de Participacion*) create a legally-binding space for social actors to monitor and ensure that government agencies follow-up on the action steps in practice. It remains to be seen if this channel for policy reform will be more effective than others, but at least it is moving the discussion outside the limits of the current labor policy subsystem and introducing new actors.

A new Secretary of Labor, Patricia Mercado, is interested in addressing problems of job quality and to develop policies that improve both the city's ability to enforce labor laws and to improve purchasing and contracting policies, at least within her own agency (P. Mercado, personal communication, Jan 20th, 2014). With the support of Mayor Mancera and Secretary for Economic Development Chertorivski, she has launched a proposal to raise the minimum wage in the city to something closer to a living wage, and there is a new set of urgency in addressing the high levels of informality and precariousness within the Mexico City labor market. Her budget proposal for the next fiscal cycle will include increased funding for inspection and other areas related to labor law enforcement, and she is currently developing a policy to include labor protections in process of contracting service providers (such as janitors) and suppliers in her agency. By bringing new resources and actors into the political game, is it possible that improved enforcement and some new job quality policies emerge.

3. Conclusions

As we have seen, there is no policy in the city which reunites the criteria - predictable, adaptable, coherent, enforced, efficient and publically oriented - for a credible policy to address job quality, leaving the problem of very poor quality employment found in the low-wage segment of the service sector as an unaddressed public problem. Through the case study of Mexico City, its decision-making processes and how this plays out in the cleaning industry, we can see that three principal factors contribute to this lack.

One is the lack of public oriented-ness of the interests of the major players in the policy-making process. The government led by a leftist party, the PRD, for nearly two decades has shown a preference for popular social programs rather than labor policy reforms. The need to develop a base of popular support among unorganized segments of the Mexico City electorate has been an appealing incentive which has greatly influenced how key government actors operate within the policy-making process. Without a base of union, popular or mass-based organizations, this left government is of a more electoral-professional tendency than one of ideological underpinnings, leading it to substitute social policies for a well-developed labor policy. This is exacerbated by the PRD's internal, quasi-official system of governance among factions, creating an additional layer of incentives related to the advancement within the party and accessing positions of power, which often displaces the broader public interest as a central priority in developing policy. Overall, the current policy-making process too often prioritizes short-term political needs over the long-term construction of a labor policy which addresses matters of job quality.

The second factor is the weak institutionalization of the policy process, especially in the implementation and enforcement of policies, though formal channels are often bypassed at all stages of policy-making. As a result, policy decisions are often not decided or upheld in a publically accessible manner, and may have little practical impact on the behavior of the actors involved.

Finally, a third important factor is the lack of powerful social actors overall, and independent trade unions in particular, in Mexico City's policy-making process. While

there are corporatist and employer protection contract unions in the city, few independent or democratic trade unions have managed to emerge, let alone establish a powerful voice in the policy-making process, and civil society groups have not succeeded in compensating for this gap. As such, there is no actor with sufficient power and resources within the labor policy subsystem to demand policies addressing job quality, leaving other actors with few incentives to take up the issue.

These three factors are closely related, reinforcing each other and as a whole make the current status quo extremely durable. Political actors have little motivation to allow the emergence of a strong social actor which would change the balance of power related to labor matters or create new and possible unpredictable changes in the city's political system overall. Weak institutions, informality and poor enforcement of labor laws create substantial barriers for independent unions which attempt to organize, and the lack of strong independent unions, in turn, makes this state of affairs unlikely to change. As such, these factors both shape the current policy-making process and also maintain the current status quo and keep new actors and incentives out of the process.

Therefore, the government led by the PRD has not developed a labor policy to address job quality in the service sector, despite being a Left government and despite healthy growth in the service sector. While other global cities have sought to develop policies which allow them to filter external economic forces, such as the rapid spread of sub-contracting and triangular employment relationships, or to address the regulatory gaps which have emerged with the proliferation of these employment modalities, Mexico City has been unable to meet this challenge. The result has been rising levels of employment informality, precariousness and a lack of decent work, on public sector contracts as well as in the private sector. This contributes negatively to economic growth and poverty levels in the city, leaving an important public problem effectively unaddressed. While the recent appearance of new policy channels and new government actors creates will hopefully create changes in the city's policy-making process in the labor subsystem, until now the factors impeding such change have been remarkably durable.

Annex 1: Relevant Literature and Theoretical Frameworks

Key Theories/ Frameworks	Main debates	Issues raised
Theories related to Causes of Poor Job Quality		
Informality and its causes (Kucera & Roncolato, 2008) (Perry & Maloney, 2007) (Maloney, 2004) (Levy, 2008)	Exit vs exclusion Defensive evasion vs Opportunistic exclusion Informality among the self- employed and microbusinesses vs informalized work in the formal sector	Do most informal sector workers prefer informality? Or is the issue that formal sector employment is insufficiently attractive, with low wages and inadequate social benefits? While some informal work is voluntary, other affects workers negatively. Are the burdens of formal sector employment excessive? Are social security institutions sufficiently valuable to workers to justify the expense? Employment in the formal sector but where workers are excluded from social security protection has been added to the definition of “informality.” Formally constituted employers are defining more jobs as temporary or voluntary.
New modes of employment (Sassen S. , 2005) (Dean, 2011) (Weller & Roethlisberger, 2011)	Global Cities built on new economic models, service sector economy Outsourcing, sub-contracting: flexibility vs. downward pressure on wages	Can old regulations fit new economic models? How to regulate employment quality with employment modes which obscure employer responsibility?
Labor Segmentation in the Service Sector (Stiglitz, 2012) (Chanda & Dalgaard, 2005) (Mishel, Schmitt, & Shierholz, 2013) (Mosley, 2011)	Job polarization and labor market segmentation is due to: 1. Technological change: more demand for high skill workers, lower demand for less skilled 2. Productivity: transactional activities vs transformational activities in service industries Vs. Job polarization is due to changing, weakened or ineffective labor market institutions	What institutional reforms have contributed to rising inequality? What institutions need to be (re)strengthened to counter the effects of job polarization?
Theories/Options on addressing Job Quality		
State as Consumer (Living Wage Ordinances, PLAs) (Neumark & Adams, 2000) (Kotler, 2009)	The public sector is a major consumer of services and may have influence on a metropolitan labor market. The public sector’s employment/contracting	What policy options does a local government have, in its role as a consumer of services, to raise employment standards in the service sector?

	practices set a standard for accepted practices, especially in the low-wage service sector.	How can job creation programs also address job quality?
Labor law enforcement, (Bensusan, 2008) (Kucera & Roncolato, 2008)	Ineffective labor law enforcement affects job quality	What policies will improve labor law enforcement in the service sector, private and public?
Theories to explain government inaction on Job Quality		
Left Governments: (Weyland, Madrid, & Hunter, 2010) (Filgueira, Reygadas, & Luna, 2012) (Bruhn, 2010)	Radical vs moderate left and tendency to substitute social policy for labor policies. Expectations for increasing electoral democracy and consumption vs. reality of increasing inequality and changing economic models.	Does a leftist government create conditions for better quality employment? Despite the limits of a neoliberal framework, what policy options remain open to a Left government to address job quality? What interests impede the development of these options? Is social policy replacing labor/industrial policy for the Left?
Decision-Making in Public Policy (Allison, 1969) (Tsebelis, 2002) (Scartascini, Spiller, Stein, & Tommasi, 2011)	Models to explain decision-making: rational actors vs organizational processes vs bureaucratic politics To change status quo/policy: agreement among a set of actors vs. veto players, Policy formulation process (PFP) defined by the political game – the actors and rules of the game	What bureaucratic or organizational interests explain current employment and labor policies? Who are the actors in an administration who maintain stability of the current status quo (non) policy? How does a city’s mix of political actors, institutions and the policy-making process influence the ability to address job quality?

Annex 2: Agreement between EvaluaDF and Mexico City Government actors to adopt certain reforms to the city's labor policy. (Draft. Retains original formatting and notes.)

BASES DE COLABORACIÓN INTERINSTITUCIONAL De acuerdo al art 42 D: estableciéndose entre el Consejo de Evaluación y el evaluado un programa y calendario para su cumplimiento, Habrá que denominarle: programa y calendario de cumplimiento

CONVENIO DE PROGRAMA Y CALENDARIO BASES DE COLABORACIÓN INTERINSTITUCIONAL PARA EL SEGUIMIENTO Y CUMPLIMIENTO DE LAS RECOMENDACIONES EMITIDAS POR EL CONSEJO DE DESARROLLO SOCIAL DEL DISTRITO FEDERAL (EVALÚADF), QUE CELEBRAN ESTE ORGANISMO A TRAVÉS DE SU REPRESENTANTE LEGAL EL MAESTRO PABLO ENRIQUE YANES RIZO Y POR LA OTRA LAS SECRETARÍAS DEL TRABAJO Y FOMENTO AL EMPLEO, DE DESARROLLO ECONÓMICO, DE FINANZAS, DE OBRAS Y SERVICIOS Y LA OFICIALÍA MAYOR, REPRESENTADAS POR SUS TITULARES, CONFORME A LOS ANTECEDENTES, DECLARACIONES Y BASES SIGUIENTES:

ANTECEDENTES:

- 1.- Que en la XXXIII Sesión Ordinaria de 2010 del Comité de Seguimiento y Recomendaciones celebrada el 5 de octubre de 2010, se emitieron las recomendaciones derivadas de la evaluación externa realizada a las **Políticas de Fomento al Empleo y Protección del Trabajo del Gobierno del Distrito Federal.**
- 2.- Que con oficios CEDS/DG/1058/2010, CEDS/DG/1059/2010, CEDS/DG/1060/2010, CEDS/DG/1061/2010, CEDS/DG/1062/2010, todos del 13 de octubre de 2010, se hace del conocimiento de las Secretarías Del Trabajo Y Fomento Al Empleo, De Desarrollo Económico, De Finanzas, De Obras Y Servicios, Y De La Oficialía Mayor respectivamente de las recomendaciones mencionadas en el punto anterior.
- 3.- Que el 17 de febrero del 2011, se realiza una reunión de trabajo con las dependencias en comento para que se dé cumplimiento a las recomendaciones, por lo que se acuerda suscribir el presente instrumento.
- 4.- Que los Entes Públicos **al responder afirmativamente y quienes no lo hicieron quedaron en el supuesto del propio artículo 42 D que no dieron contestación a las recomendaciones se considera que se tienen por aceptadas.**

DECLARACIONES

DECLARAN LAS PARTES:

1. Que **EvalúaDF** es un Organismo Descentralizado de la Administración Pública del Gobierno del Distrito Federal, con personalidad jurídica y patrimonio propios, creado por decreto del Jefe de Gobierno, Lic. Marcelo Ebrard Casaubón, publicado en la Gaceta Oficial del Distrito Federal el 21 de septiembre del año 2007 y acorde a lo estipulado en los artículos 2, 5, 40 y 48 de la LEY ORGÁNICA DE LA ADMINISTRACIÓN PÚBLICA DEL DISTRITO FEDERAL y los artículos 1 y 2 del REGLAMENTO INTERIOR DE LA ADMINISTRACIÓN PÚBLICA DEL DISTRITO FEDERAL; actualmente regulado por el capítulo Noveno de la LEY DE DESARROLLO SOCIAL PARA EL DISTRITO FEDERAL.

2. Que los órganos descentralizados como “**EVALÚADF**”, están a cargo de un Director General nombrado por el Jefe de Gobierno o a indicación de éste a través del coordinador de sector por el órgano de gobierno, lo anterior en base a los artículos 98 y 103 del ESTATUTO DE GOBIERNO DEL DISTRITO FEDERAL; 53 y 54 LEY ORGÁNICA DE LA ADMINISTRACIÓN PÚBLICA DEL DISTRITO FEDERAL.

3. Que el Maestro Pablo Enrique Yanes Rizo, acredita su personalidad como titular de este organismo por nombramiento del Jefe de Gobierno del Distrito Federal, de fecha 16 de febrero de 2008 que entre sus atribuciones está la de representar legalmente al organismo y la de celebrar toda clase de convenios en los términos del artículo 54 fracción I de la LEY ORGÁNICA DE LA ADMINISTRACIÓN PÚBLICA DEL DISTRITO FEDERAL.

4.- Que dentro de las funciones que se indican en las fracciones I, VII, XIV del artículo 42-C de la Ley de Desarrollo Social para el Distrito Federal y artículo 39 del Estatuto Orgánico del Consejo, está la de dar seguimiento al cumplimiento de las recomendaciones.

4bis.- Que para las decisiones sobre sus actividades sustantivas EvalúaDF cuenta con un **Comité de Evaluación y Recomendaciones, de acuerdo con el art 42, frac F de la Ley de Desarrollo Social.**

5.- Que tiene su domicilio, para todos los fines y efectos legales de estas bases en Alfonso Esparza Oteo número 160, Colonia Guadalupe Inn, Delegación Álvaro Obregón, C.P. 01020, en México, Distrito Federal.

6. Que de acuerdo a lo establecido en los artículos 2, y 15 de la Ley Orgánica de la Administración Pública del Distrito Federal y la fracción XVI del artículo 26 y fracción I y I Bis del Reglamento Interior de la Administración Pública del Distrito Federal. Las dependencias que se mencionan en el proemio del presente tienen atribuciones para suscribir el este instrumento.

7.-Que el Lic. Benito Miron Lince es titular de la Secretaría del Trabajo y Fomento al Empleo y tiene su domicilio para todos los efectos legales el ubicado en José María Izazaga número 89, 5º piso, colonia Centro, C.P. 06090

8.- Que la Lic. Laura Velázquez Alzúa, es titular de la Secretaría de Desarrollo Económico, con domicilio en Av. Cuauhtémoc No 898 3er piso Col. Narvarte, delegación. Benito Juárez C.P. 03020.

9.- Que el Lic. Armando López Cárdenas es titular de la Secretaría de Finanzas con domicilio en Dr. La Vista 144 colonia Doctores, delegación Cuauhtémoc.

10.- Que el [Lic. Fernando José Aboitiz Saro](#) es titular de la Secretaría de Obras y Servicios, con domicilio en Plaza de la Constitución 1, 2º piso, Centro Histórico, Del. Cuauhtémoc.

11.- Que el Lic. Adrián Michel Espino es el titular de la Oficialía Mayor, tiene su domicilio en Plaza de la Constitución No. 1, Primer Piso, Col. Centro, Del. Cuauhtémoc, C.P. 06068.

12.- Que **tiene interés en unir esfuerzos** para dar cabal cumplimiento a las recomendaciones mencionadas en el numeral 1 de antecedentes, **por lo que** están conformes en suscribir el presente instrumento al tenor de las siguientes:

B A S E S

PRIMERA. Las partes acuerdan que el objeto de las presentes bases es el de dar seguimiento y cumplimiento a las recomendaciones derivadas de la evaluación externa realizada a las **Políticas de Fomento al Empleo y Protección del Trabajo del Gobierno del Distrito Federal**.

SEGUNDA. Las Secretarías y la Oficialía Mayor tienen el interés de cumplir con las acciones que se mencionan en el anexo 1 del presente instrumento, en el cual se detallan cada una de las recomendaciones y las acciones a seguir para dar cumplimiento en los plazos que en él se mencionen.

TERCERA. El EvalúaDF se compromete a apoyar y dar asesorías a las dependencias que suscriban este instrumento para el cumplimiento de las recomendaciones.

CUARTA. Que el área responsable de dar seguimiento a las recomendaciones es la Dirección de Evaluación, la cual designa al Mtro. Omar Vicente Padilla Paez, para dar seguimiento al cumplimiento de las recomendaciones.

QUINTA. Las partes acuerdan que el presente instrumento tendrá una vigencia que se establezca en el anexo 1 cuando se dé por concluida el cumplimiento a la última recomendación.

Se firman seis ejemplares de las presentes bases de colaboración, al calce de la última hoja y al margen de las anteriores, en la Ciudad de México, Distrito Federal, a los 19 días del mes de abril del año dos mil once.

POR “EVALÚA-DF-”

POR LAS SECRETRÍAS

**MTRO. PABLO ENRIQUE YANES RIZO
DIRECTOR GENERAL**

**LIC. BENITO MIRON LINCE
SECRETARIO DEL TRABAJO Y FOMENTO
AL EMPLEO**

**COMITÉ DE EVALUACIÓN y
RECOMENDACIONES**

DR. MANUEL CANTO CHAC

**DRA. MA. LUISA MUSSOT LÓPEZ
DIRECTORA DE EVALUACIÓN**

**LIC. LAURA VELÁZQUEZ ALZÚA
SECRETARIA DE DESARROLLO
ECONÓMICO**

REVISIÓN JURÍDICA

**LIC. ALBA PEÑA ROBLES
JEFA DE UNIDAD DEPARTAMENTAL DE
ASUNTOS JURÍDICOS**

**LIC. ARMANDO LÓPEZ CÁRDENAS
SECRETARIO DE FINANZAS**

**LIC. FERNANDO JOSÉ ABOITIZ SARO
SECRETARIO DE OBRAS Y SERVICIOS**

**OFICIALÍA MAYOR
LIC. ADRIÁN MICHEL ESPINO**

Interviews, meetings and other personal communications:

Arturo Alcalde Justamani, Labor Lawyer, Nov. 14th, 2014 and June 20th, 2014

Jorge Alonso Diaz, Human Resources Director, ISS, Nov. 12th, 2012 and July 15th, 2014

Salvador Arellano, President of STRACC, March 10th, 2014

Juan Ayala Rivera, President of SUTGDF, March 18th, 2014

Alfonso Bouzas Ortiz, professor and researcher at UNAM, January 22nd, 2014

Miguel Angel Camargo Tiburcio, Sub-director of Control and Verification of the Inspections Department, STyFE, June 24th, 2014

Manuel Canto Chac, Citizen Advisor on the Board of Recommendations and Evaluation of Social Policy for Mexico City, Feb. 5th, 2014

Marcia Itzel Checa Gutiérrez, Executive Secretary of the Mechanism for Monitoring and Evaluation of the Human Rights Prosecutor of Mexico City, Jan. 14th, 2014

Saul Escobar Toledo, Ex-Sub-Secretary of Labor in Mexico City, January 21st, 2014 and June 17th, 2014.

Clara Rodriguez Espejel, General Secretary of the Union of Public Servants in Mexico City, March 4, 2014

Emilio Allende Fernandez, Ex-Vice President of SUTGDF, Sept. 6th, 2007 and March 14th, 2014

Ines Gonzales, Coordinator, Union Programs, Frederich Ebert Foundation, February 27th, 2014

Mariana Hernandez, Director, Foundation for Union Education, FUPES, Oct. 4th, 2013 and July 8th, 2014

Claudia Patricia Juan Pineda, Quinta Visitadura, CDHDF, Feb. 25th, 2014.

Bertha Lujan, General Secretary of MORENA, former Comptroller for Mexico City, June 18th, 2014

Claus Madsen, Director of Operations, ISS, April 18th, 2008

Benedicto Martinez, Coordinator of FAT, March 12th, 2014

Victor Hugo Martinez, professor and researcher at UACM, June 18th, 2014

Patricia Mercado, Secretary of Labor of Mexico City, Jan. 20th, 2014; Feb. 19th, 2014 and July 17th, 2014

Atenogenes Pineda, Ex-member of the Executive Board of SUTGDF, March 18th, 2014

Guillermo Rocha Ramos, General Coordinator of Administration, JLCA, March 10th, 2014

Luis Daniel Vasquez, professor and researcher at FLACSO Mexico, Former member of the Committee for Monitoring and Evaluating the Human Rights Action Plan of Mexico City, March 4th, 2014)

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