

Militant Trade Unionist or Happy Consumer? The Ambiguities of  
Working-class Identity in Post-Pinochet Chile

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Journalists, social scientists, politicians and investors often refer to Chile's decade-plus economic boom beginning in 1985 as the "Chilean miracle." Unusually high growth rates, low inflation and declining unemployment combined to create an almost perfect macroeconomic picture. Latin American political leaders have rushed to duplicate the Pinochet dictatorship's labor law, private pension and health care systems, and privatization policies in an effort to create open, competitive economies. Even U.S. legislators have considered privatizing social security along Chilean lines.

However, when discussion shifts from macroeconomic indicators to wages, working conditions, and income inequalities, the tone becomes much more somber. Supporters of the two civilian administrations following the seventeen-year Pinochet regime from 1990-present note that the government has been successful at reducing poverty and has increased state funding for education and health care (Weyland 1997, Scott 1996). By contrast, recent studies by international agencies suggest that these efforts have not fundamentally changed workers' position in Chilean society. In 1996, the World Competitiveness Report and the International Labor Organization found that Chileans work the longest hours in the world, averaging over 2,400 hours per year.<sup>1</sup> Likewise, a World Bank study found that Chile also has among the world's worst income distribution, with the wealthiest 20% of the population receiving 61% of national income.<sup>2</sup> Additionally, a recent report by a Chilean NGO notes that Chile's six largest economic groups have increasingly concentrated economic power.<sup>3</sup>

Why have Pinochet's former political foes been unable or unwilling to reverse the inequalities his regime fostered? Many argue that because Pinochet's 1980 Constitution allowed him to appoint nine designated senators and called for a binominal electoral system that favors the right, the ruling Concertación coalition has lacked the congressional majority necessary to pass many of its proposed

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<sup>1</sup> "Chile has the longest working hours in the world," *CHIP News* (July 23, 1996); Martínez and Díaz (1996).

<sup>2</sup> "Critical World Bank Report contested," *CHIP News* (July 12, 1996); Martínez

reforms. Additionally, Pinochet virtually eliminated his successors' control over monetary and exchange rate policies by creating an autonomous Central Bank whose board members he named prior to stepping down in 1990 (Mainwaring, et.al. 1993, Linz and Stepan 1996, Oppenheim 1993). The government's critics argue that Pinochet's political opponents softened their criticisms of his free market policies during the 1980s economic boom, and thus decided to maintain those same policies (Petras, et.al. 1994).

Regardless of whether the civilian administrations have largely adopted Pinochet's economic and social policies because of institutional obstacles to their reform or their own preference for these policies, the reasons for labor's precarious position in contemporary Chile still require explanation. Standard discussions argue that political terror against leftist militants uprooted labor's traditional party allies from trade unions (Barrera and Valenzuela 1986, Campero and Valenzuela 1984). Furthermore, radical free market policies shrunk traditional union strongholds in manufacturing industries, and dynamized new export sectors --like agriculture, lumber, and fisheries-- where precarious employment makes unionization difficult (Martínez and Díaz 1996, Petras, et.al. 1994, Constable and Valenzuela 1991). Finally, the 1978-81 labor reforms ended the closed shop, job security, and a host of obligatory fringe benefits (Ruiz Tagle 1985, Campero and Valenzuela 1984).

The dictatorship also sparked the reorganization of ownership and managerial practices. The ascendance of economic groups through their purchase of privatized state industries provoked the increasing concentration of wealth, partnerships between Chilean and foreign firms, and increasing investment in new technology. Particularly in the late 1980s and early 1990s, economic groups began to invest in new machinery and computer technology, purchase firms abroad, secure foreign investment through joint ventures with multinationals or stock issues on the New York Stock Exchange, and deploy Japanese-style managerial techniques like Just-in-Time (JIT) and Total Quality Management (TQM). The

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and Díaz 1996).

labor reforms gave employers incentives to use subcontracted labor and allowed them to eliminate expensive benefits. With increased automation, managers increased work rhythms, job responsibilities, and job rotation; and extended the working day for full time employees (Dahse 1979, Paredes and Sanchez 1996, Castillo, et.al. 1996, Martínez and Díaz 1996, Katz and Vera 1995, Díaz 1992, Echeverría and Herrera 1993, Agacino and Leíva 1994).

The existing literature offers a plausible explanation for workers' precarious position in Chile today, but tells us little about how workers experienced and responded to these changes. How have changes in the labor process and business organization affected working-class solidarities? Has this assault on wages and working conditions provoked worker resistance? Where workers have responded to these changes, have these actions been effective? I answer these questions through a case study of MADECO, Chile's (and the Southern Cone's) largest producer of copper-based intermediate goods. Based on dissertation research including over one hundred interviews with retired and active MADECO workers, managers, and political activists, as well as extensive review of archival materials, this study explores how some of Chile's most privileged and best organized workers have fared during the Chilean "miracle." Such a study becomes exceedingly interesting because many studies of how Chile's free market miracle affected workers focus on subcontracted or seasonal workers rather than unionized, relatively well-paid laborers (Martínez and Díaz 1996, Petras et.al. 1994, Agacino and Leiva 1994, Falabella 1993).

MADECO is also an interesting case because of the blue collar union's militant traditions. Before 1973, MADECO workers had among the highest industrial wages in Chile, consistently elected leftist union leaders, worked to build the labor movement, and gave exemplary support to the socialist Popular Unity government. The union held one of the most militant strikes during the dictatorship, and worked to rebuild the union movement from the grassroots. Moreover, the Luksic Group, one of Chile's largest and most

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<sup>3</sup> "Economic power increasingly concentrated," *CHIP News* (January 14, 1997).

internationalized economic conglomerates, purchased MADECO in 1979, making it an ideal case to examine how economic groups have reshaped Chilean enterprises.

MADECO's recent history highlights the ambiguous effects of industrial restructuring on a group of relatively privileged workers. Beginning in the mid-1970s, MADECO's managers took piecemeal steps toward rationalizing production by reducing productivity bonuses, extending the working day, increasing job responsibilities and job rotation, and inducing worker competition on the shop floor through speedups. Rationalization also included massive layoffs during the 1981-83 economic crisis, and targeted layoffs of union activists. These processes reached a new level of intensity with the incorporation of more modern machinery and computerized monitors in the 1990s. In February 1993, workers responded to this last wave of rationalization and benefit givebacks throughout the dictatorship by holding a violent strike to maintain their right to sue management for underpayment of a share of profits. The union won its principal demand, but their employers had already changed the rules of the game by luring half of the white collar staff and a few blue collar workers into non-union negotiating groups. For the first time since the blue collar union's inception in 1945, management had broken the union's monopoly over blue collar workers.

How does this recent experience of rationalization and worker resistance affect our understanding of workers' precarious position in contemporary Chile? First, the MADECO case clearly demonstrates that subcontracted or seasonal workers were not the only victims of the miracle: some of the best paid industrial workers suffered large-scale wage and benefit roll backs and the continuous intensification of work effort. Second, the 1993 strike shows that Chilean managers' efforts to intensify work without offering any economic compensation in exchange have their limits: workers lashed out in the strike to demand a share of the expanding profits they helped produce. Therefore, this case study acts as an important corrective to studies of industrial restructuring in Chile that describe workers' worsening conditions without examining how they respond to those conditions, fostering the inaccurate conclusion that

Chile's recent wave of industrial modernization has been conflict-free. Finally, management's ability to create non-union negotiating groups suggests that while MADECO's rapid modernization provoked a violent response, its ferocity belies the union's structural weakness and management's partial success in provoking individual competition between workers.

This case study offers important implications regarding the use of flexible managerial techniques. MADECO's evolution into a multinational corporation and adoption of flexible managerial practices follows a trend among firms in both the developed and developing world. Bennett Harrison (1994) describes this pattern as *concentration without centralization*: large corporations expand their holdings while decentralizing production through subcontracting, outsourcing, and strategic alliances between firms. While Harrison focuses on the external relations between firms characteristic of this global trend, others emphasize the changing character of production within firms (Makoto 1996, Graham 1995, Sabel 1994, Ferraz, et.al. 1992, Tomaney 1994, Shaiken 1994). These analysts agree that in Japan and Europe, managers compensate core workers for the increased work intensity associated with job rotation, extensive overtime, and increased job responsibilities --features characteristic of flexible production systems-- with job security, participation in quality circles, or greater independence on the shop floor. MADECO's owners expanded their holdings and intensified the work process, but have not offered workers job security, quality circles, or other incentives in exchange for their increased work effort. Other studies of the contemporary Chilean workplace also identify this pattern (Echeverría and Herrera 1993, Agacino and Leiva 1994, Castillo, et.al. 1996, Errazuriz, et.al. 1990). Given that these incentives are not forthcoming in Chile, we might not expect to find the low level of industrial conflict characteristic of Japan. While discussions of flexible production in Mexico (Shaiken 1994) and Brazil (Ferraz, et.al. 1992) and the U.S. (Graham 1995) hint that the authoritarian application of these flexible production techniques may spark industrial conflict, I am aware of no in-depth discussions of this problem. This study demonstrates that because Chilean workers have gotten the worst of both worlds (greater work intensity without job security or participation) they

have reacted violently against the model of flexible production, though this resistance may prove fruitless given the precarious character of work in Chile.

I begin this paper with a briefly review of economic and institutional transformations under the dictatorship. I continue by examining three periods of industrial change at MADECO, focusing on contracting policy, wages, the labor process, and investment patterns. During the first period, from 1973-1978, managers used a combination of terror against leftist militants and informal negotiation to reduce the workforce and the wage bill. From 1979-1986, the Luksic Group took control of the firm and set its sights on purging union activists and increasing worker productivity without offering concomitant wage increases. Finally, from 1986-1996, MADECO purchased Chilean and Latin American copper manufacturers, renovated its own machinery, and began a much more concerted effort to intensify work rhythms and production levels. I examine how this last wave of modernization has challenged workers' traditional controls over production volume and attitudes about shop floor solidarity. After this discussion, I explore the origins of the 1993 strike, its principal characteristics, and its potential effects on the union over the long term. In the conclusion, I offer provisional explanations for the appearance of individualistic orientations among MADECO workers in contemporary Chile, and situate this phenomenon within the broader discussion of flexible production systems.

### **Chile's Authoritarian Transformation**

On September 11, 1973, the Chilean military overthrew the elected socialist president Salvador Allende. Supported by center and right parties, the military initially sought to revive Chile's inflation-prone economy and eliminate Marxist parties. At a deeper level, the junta attempted to destroy the regulatory state and erase Chile's long-term traditions of party-based conflict and political clientelism. The junta's early phase (1973-1978) was largely reactive in character in that the generals focused on repression and dismantling rather than developing a new model of societal organization. While the military introduced radical free market economic policies, the

generals left the Constitutional and legal order intact, governing through ad-hoc executive decrees. From 1978-1981, the junta developed a new blueprint for society, institutionalizing its own long-term political role via the 1980 Constitution, and extending the market model to labor relations, social security, health care, state administration, and education (Campero and Valenzuela 1984, Garreton 1989, Constable and Valenzuela 1991, Barrera and Valenzuela 1986, Martínez and Diaz 1996). While the pace and dynamics of the economic transformations were closely linked to the timing of institutional change, I discuss these two transformations separately, beginning with the economy.

### *The Economic Model*

The Pinochet regime was strongly influenced by a group of Chilean economists who had studied at the University of Chicago ("the Chicago Boys"), who saw orthodox monetarist policies as a necessary response to the wave of nationalizations during the UP. The Chicago Boys dominated economic policy by late 1974. The economists' program included freeing prices and manipulating the exchange rate to favor exports; monetary devaluations; as well as the virtual elimination of import tariffs, raw materials subsidies, and price supports on consumer goods. They implemented several radical currency devaluations in 1975-76, causing a deep domestic recession. By 1979, economic policy makers reduced tariffs to a flat 10%, and eliminated most subsidies (Foxley 1983: 50-51, Constable and Valenzuela 1991). Finally, privatization of nationalized industries was a central feature of the Chicago Boys' program: by 1978, the state had sold more than 80% of public firms.<sup>4</sup> From 1975-1978, powerful economic groups linked to the government emerged through their debt-financed purchase of firms (Sanfuentes 1984, p. 142; Dahse 1983, pp.73-77; Hachette and Luders, pp. 78-80).

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<sup>4</sup>. These firms only represented 1/20 of the fixed assets of state holdings. This small net value was due to continued state holdings in several strategic firms, most notably the large copper mines (Hachette and Luders 1992, pp.75-76, Constable and Valenzuela 1991).



From 1976-1981, the deregulation of financial markets, import liberalization, and rapid privatization led to a speculative boom fueled by construction and luxury imports (Foxley 1983, Drake and Jaksic 1991). However, the brief boom could not reverse the negative effects of the 1975-76 economic shock therapy. A few figures illustrate the severe consequences of these policies. In 1976, industrial production dropped 23%, and 200 firms went bankrupt the following year (Constable and Valenzuela 1991, p. 203). During the 1970s, real wages dropped 40% (Constable and Valenzuela 1991, p. 229), and unemployment increased from 4.6% in 1973 to 30 % in 1983 (Hachette and Luders 1992, pp.28-29, Ruiz-Tagle 1986, Garreton 1989).

By prohibiting collective bargaining and union elections from 1973-1978, the junta “froze” labor relations. While the military had gutted wages with the devaluations and terrorized workers with attacks against leftist militants, existing labor law limited the pace of industrial restructuring. The labor law prohibited layoffs (of non-Marxist militants) without due cause, called for obligatory union affiliation in union shops, and offered union members profit-sharing, among other benefits.

The transformation of Chilean industries took a quantum leap forward with the promulgation of labor and social reforms during 1978-1981. In October 1978, the government called union elections in response to an AFL-CIO boycott threat because of systematic violations of labor rights in Chile. Simultaneously, the junta appointed José Piñera labor minister. The Harvard-trained economist penned a new labor code, the *Plan Laboral*, decreed in 1979. The law was the first of "Seven Modernizations" designed to privatize or decentralize government services (healthcare, social security, education, the judiciary, agriculture, and local government) and foster a consumerist mentality among the population. These measures followed the 1980 Constitution; and together, they replaced the pre-1973 legal and administrative framework (Constable and Valenzuela 1991, p. 190; Foxley 1983, Edwards and Edwards 1987).

The laws eliminated the closed shop, reduced the penalties for firing workers without due cause, permitted employers to move workers from one job to another, limited strikes to 59 days, and allowed businesses to hire strikebreakers if a conflict lasted longer than thirty days. In 1981, amendments allowed employers to freeze wages and benefits (salaries had previously been automatically indexed to inflation), eliminated obligatory profit-sharing, and permitted mass layoffs. The laws also prohibited employer contributions to union activities, a chief source of union revenue until that date. In addition, the junta shifted the costs of social security and health care, formerly shared by workers and managers, to the former (Ruiz Tagle 1985, Campero and Valenzuela 1984).

From 1981-83, Chile faced its worst economic crisis since the Great Depression as the effects of the international recession were exacerbated by Chilean economic groups' overexposure to foreign debt (Hachette and Luders 1992, Constable and Valenzuela 1991). In August, 1982, the junta scrambled to respond to the crisis by appointing 'Chicago Boy' Rolf Luders "superminister" of Economy and Finance. Luders placed four failing banks and many bankrupt industries under receivership. He also devaluated the peso and implemented an across-the-board wage cut in March 1982. During the crisis, unemployment reached 30%, provoking three years of street protests which shook the regime (Schneider 1995, Oxhorn 1995).

The financial crisis forced the generals to modify their economic policy. After flirting with traditional business leaders, Pinochet appointed Hernan Buchi Finance Minister in 1985. He adopted more pragmatic policies on public spending, tariffs, and regulation, including counter-cyclical public infrastructural investments, moderately increased import tariffs, and stiff bank regulations. He also implemented IMF recommendations for a tight wage policy designed to facilitate debt repayment (Constable and Valenzuela 1991, Díaz and Martínez 1996, Hachette and Luders 1992). The second round of privatizations, beginning in 1985, encompassed the sale of firms the state sold a decade before and subsequently placed in receivership during the 1981-1983 crisis. During this phase, purchasers had to

demonstrate their solvency, and the government sold shares in small packages, in an effort to avoid the first round's pitfalls (Rozas and Marín 1989; Hachette and Luders 1992, Díaz and Martínez 1996).

By 1985, the economy had recovered, and was heading for a decade-long economic boom. This rebound was evident in declining unemployment, which sank to 9.8% by 1989; and rising growth rates, which reached a stunning 10% during the same year (Hachette and Luders 1992, pp. 28-29). During this period, non-traditional exports (fisheries, lumber, fruit) and services (mutual funds, private health insurance) became the most dynamic economic sectors (Constable and Valenzuela 1991, Díaz and Martínez 1996).

These processes have continued unabated since the resumption of civilian rule. Adopting policies designed to maintain macroeconomic growth, the civilian government only made minor changes in the labor law, maintaining organized labor's weak position: the unionization rate increased to 15.2% from 1989-1992, and began to decline thereafter as did salary increases. The gross inequalities generated during the dictatorship appear to be here to stay (Drake 1996, Petras, et.al. 1994, Agacino and Leiva 1994, Martínez and Díaz 1996).

## **REMAKING THE FIRM AT MADECO**

MADECO's transformation under the dictatorship moved through three distinct phases. The first phase, from 1973-1978, was largely shaped by the regime's repressive cast, the limits on industrial change created by existing legislation, and traditional managerial patterns. The firm's privatization and the radical effects of the labor reforms marked the second phase, from 1979-1986, as the new owners brought with them a different managerial vision, and exploited the advantages the new labor laws offered. The third period, extending to today, marked the firm's transformation into an economic group, and the partial implementation of internationally renowned flexible management techniques. Each of these phases has eroded working class

solidarity in different ways, and evoked different worker responses. The current period has left a decisively ambiguous cast to working-class culture at MADECO, raising questions about the sustainability of trade unionism as it was traditionally practiced.

### *Historical Precedents*

MADECO is the Southern Cone's largest producer of semi-finished copper goods. At its Santiago location,<sup>5</sup> the firm consists of two adjacent plants: a *wire mill*, where workers fashion copper wire and cables; and a *brass mill*, where they make sheets, tubes, pipes and profiles from copper and copper alloys. Each mill supplies different markets, is subject to distinct market cycles, and has different labor processes.<sup>6</sup> MADECO was founded in 1944 as a family-managed firm with state support through investment and loans. The state sold its share in the industry in 1958, and General Cable (USA) and CEAT Int'l (Italy) came to dominate the firm through a 1967 joint venture to build a telephone cables plant in Antofagasta near the Chuquicamata copper mine. In 1971, the State Development Corporation (CORFO) intervened the firm, and bought 20% of its shares. Less than a year later, CORFO negotiated an option to buy 42% of the shares owned by the two foreign enterprises, and took physical possession of those shares.<sup>7</sup>

MADECO's founders, the Simonetti brothers, were paternalistic managers who benefited from significant state subsidies. For example wire rod, a product with little value added, received substantial subsidies. The Simonettis hired workers with little or no training or education. This strategy resulted from three

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<sup>5</sup> MADECO diversified into aluminum processing in the late 1950s, and purchased a number of related copper processing industries in the late 1980s: Manufacturas de Cobre MADECO), *Memoria Anual* (Santiago, Chile: 1945-1993).

<sup>6</sup> The wire mill is more dependent on infrastructural development tied to state investments (telecommunications, electrification, and high-tension wires for mining), while the brass mill supplies the construction industry: (Raskill Information Services 1984).

<sup>7</sup> Manufacturas de Cobre, S.A. (MADECO), *Memoria Anual* (1944-1978).

factors. First, during the 1940s and 1950s, there was a shortage of skilled labor in Chile. Second, MADECO's virtual monopoly on copper wire, sheet, and tube production in Chile made it almost the only firm where workers could gain the skills necessary to work there. Third, the Simonettis had begun as semi-literate artisans, so their model of training was "learning by doing." Workers also had considerable influence on who joined the staff as management often hired based on personal referrals: entire families worked together in the firm, often including more than one generation. The managers maintained an internal labor market that allowed loyal workers to move up in the firm rather than hiring outside professionals (Stillerman 1994).

This practice of profligate growth worked until the government lifted subsidies on wire rod exports in 1966, and the Chilean economy began to tumble. That year, two professional managers took over the firm and began MADECO's first effort at rationalization. From 1966-1971, the firm's executives sought to shift some productive functions in cables to the new plant in Antofagasta, reduce personnel in Santiago, and increase skill levels among blue collar workers and middle management. The firm's intervention from 1971-73 reversed these cost savings as personnel increased and work discipline declined under worker-state comanagement.<sup>8</sup>

#### *Repression with a Human Face, 1973-1978*

MADECO faced serious financial problems after the UP period, which, combined with monetary devaluations and the elimination of price subsidies, forced the new general manager (who had been production manager from 1966-1971) to think on his feet. MADECO's ambiguous ownership status and its substantial debt meant the executive had neither the decision-making authority nor the cash to invest in labor-saving machinery.<sup>9</sup>

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<sup>8</sup> Interviews with José Zabala, General Manager from 1966-1971, September 12, 1994; Fernando Pérez, Production Manager during the same period, November 29 and December 6, 1994; group interview with MADECO workers active during the UP, March 25, 1995.

<sup>9</sup> Interviews with Pérez, *ibid.*, and Enrique Tassara, MADECO board member, 1973-1978, January 17, 1995.

While these economic imperatives and constraints acted as important guides to managerial policy, political terror against the left also played a crucial role. A retired army official, Jaime Deischler, served as personnel manager from 1967 until 1992, when it was discovered that one of the intelligence service's most brutal interrogators, Osvaldo Romo, had worked with a company salary in 1974 at MADECO to identify and detain subversives. Deischler did everything in his power to terrorize and humiliate workers, and to neutralize the power of the blue collar union, the oldest and most militant in the firm. Thus, management implemented each reforms with a veiled or explicit threat of dismissal or imprisonment to back it up.

Beginning in 1973, management reduced the workforce through two mechanisms. First, Deischler fired many political militants and others he simply disliked for subversion. Second, the personnel manager weeded out many more through "voluntary retirement" from 1973-1978, whereby management offered workers increased severance payments in exchange for their agreement to leave.<sup>10</sup> Though the workforce declined from 2050 in 1973 to 1085 in 1978, the firm did hire new workers during the speculative boom beginning in 1976. Management sought workers with recommendations from military officials, incorrectly assuming that this was a guarantee against trouble makers. By requiring a high school education for new staff, preferably in trade school, management boosted workers' educational levels, and homogenized their skills. One brass mill worker hired in 1976 describes this scene: "When I was hired, most of the guys were real country boys (*bien huasitos*). They were sort of illiterate, and they really liked to use their strength. They would pick up one twenty-five kilo copper bar in each hand and pass them to each other. I was a little skinny guy, and could barely pick up one of them."<sup>11</sup> Though they increased educational demands for new recruits, management maintained the internal labor market

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<sup>10</sup> I discuss this phenomenon in great detail in Stillerman (forthcoming). It was less expensive for MADECO to offer employees a "buyout" than to fire them, because the law stipulated that the firm must pay double severance pay if it fired workers without due cause (unless management could demonstrate that the worker was a Marxist militant). Employers also could not fire more than ten workers per month without biministerial approval prior to the Plan Laboral.

<sup>11</sup> Interview with Angel, November 17, 1996.

during this period, thus lending a certain continuity to the workforce.<sup>12</sup> Finally, management began to subcontract ancillary functions (carpentry, plumbing, painting, etc.) to dismissed employees from these sections during the 1970s.

Management's adoption of new payment schemes meant tremendous losses in workers' earning power. Because collective bargaining was illegal, the firm was unable to renegotiate contracts with workers. The only way to change payment schemes was to make informal agreements with management-appointed union leaders. To make it a little easier to swallow the bitter pill of wage rollbacks, management offered workers a lump sum in exchange for accepting the new payment formulae. MADECO workers had negotiated among the best union contracts in the country prior to the coup, and thus the stakes of such changes were high for both managers and workers. In September 1974, MADECO workers earned an average of 135,522 escudos per month, with base salary at 69,000; while the average industrial workers' wage was 64,112: their negotiated benefits set them well above the national average.<sup>13</sup> Thus, management made two efforts to attack blue collar workers' principal sources of income: production incentives and profit sharing.

In 1976, management replaced production incentives specific to individual machines or work sections along with all other miscellaneous productivity-based payments with a single monthly bonus based on tonnage produced in each plant. This meant that blue collar workers who often earned more than administrative and maintenance personnel because of their productivity bonuses saw their salaries reduced, while the latter now earned a production bonus based on their higher salary scales: the relative earning power of the two groups was reversed.<sup>14</sup>

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<sup>12</sup> *Ibid.*; group discussion with wire mill workers, November 8, 1996.

<sup>13</sup> Alicia Tortora G. and Susana Villacura R., "Sistematización de práctica efectuada en Manufacturas de Cobre S.A., MADECO," report on BA practicum, Department of Social Work, Universidad Católica de Chile (June-October, 1974), 24; Dirección de Estudios, Banco Central de Chile, *Indicadores Económicos y Sociales, 1960-1988* (Santiago: Banco Central, 1989), 212.

<sup>14</sup> Santiago, Chile, Segundo Juzgado de Letras del Trabajo, "Demanda laboral por reliquidación de pagos de horas extraordinarias," (May 16, 1994);

The second bonanza for management concerned profit sharing. In contracts negotiated prior to the coup, blue collar union members had won 15% of annual profits for the members (the law required firms to pay 6%), as well as vacation, Christmas, and Independence Day bonuses. In 1977, management convinced the union leaders to fuse these three separate benefits into a lump sum equaling three monthly base salaries paid quarterly.<sup>15</sup>

Beyond the layoffs and payment cuts, management also began to demand worker speedups. In the wire mill, this process began in 1976:

Ricardo Ruff, who began as supervisor of the hot rolling mill department, began moving up the ladder, until he became plant superintendent. He gained management's favor by taking two or three loyal workers and placing them in different sections: they were like his 'top ten.' They would go in and work incredibly fast, and report on anyone who couldn't keep up the pace, who were promptly sacked. He particularly enjoyed doing this on vacation, when everyone was away. He would take a few guys and run the machines in the whole plant, showing that it could be done. When people saw what was going on they started working faster. That's when the race began, when Ruff destroyed workers' natural movement of resistance, their attempt to control work rhythms. That's how he turned one worker against another.<sup>16</sup>

Paradoxically, while these brutal wage cuts, attacks against the left, and work speedups were occurring management solicited workers' suggestions on how to make machines more cost efficient, offering them prizes for new suggestions and high productivity: "Management had contests back then to see who could come up with new ideas. I still have the diplomas they gave me for my inventions somewhere. You see, I'm about the most comfortable guy you'll meet. If I can figure out a way to pick up that rock without exerting any effort, you can

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interview with Angel, *op.cit.*; Stillerman (forthcoming); "Los peligros," *op.cit.*

<sup>15</sup> Stillerman, *ibid.*; "Gratificaciones: Esta vez hubo justicia," *Crisol* 13,5 (May 1995), 3-6.

<sup>16</sup> Interview with Héctor Velásquez and Chico Castro, November 7, 1996. Velásquez is has been a union leader since 1981, and served as president from 1983-1991, and 1995-present. The firm seems not to have pursued this strategy until much more recently in the brass mill: interviews with Tonio, November 13, 1996, and Arturo, November 21, 1996. I discuss the reasons for this difference below.



be sure I'll do it. So, I came up with a lot of ideas."<sup>17</sup> In a peculiar nod to Japanese managers' use of workers' suggestions to improve products and processes, MADECO managers made a virtue of necessity as there was no money for large-scale machinery innovations.<sup>18</sup> MADECO's work force reductions, use of subcontracted labor, demand for a better educated personnel, changes in payment methods, and speedups are in line with changes during the same period in other Chilean industries. As was true in MADECO, the dearth of investment capital limited industrial rationalization to organizational changes in most Chilean firms during this period (Martínez and Díaz 1996, Díaz 1992, Echeverría and Herrera 1993, Katz and Vera 1995, Agacino and Leiva 1994, Errazuriz, et.al. 1990).

#### *"Professionalism" and "Lite" Production*

After considerable difficulty auctioning the state's de facto majority interest in MADECO, the Luksic family bought a controlling stake in the company in late 1979.<sup>19</sup> The Luksics had begun in car sales and mining in the late 1950s, expanded to fisheries and coal mining in the 1960s, and sold almost all of their enterprises during the UP. The group gained a reputation for buying apparently unprofitable enterprises, cutting administrative and payroll costs, and rapidly turning the companies around. Their shrewd investment style helped them weather the 1981-83 economic crisis. By 1978, the Luksic Group was the fourth largest conglomerate in Chile, and by 1993, the family held the third largest fortune in Latin America and ninety-seventh largest in the world, with over US \$4 billion in assets.<sup>20</sup>

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<sup>17</sup> Interview with Angel, *op.cit.*; interviews with Fernando Pérez, *op.cit.*, and Tonio, *ibid.*; "MADECO continua premiando a sus obreros," *MADECO Informa* (December 1979), 10.

<sup>18</sup> On this aspect of Japanese management, see, for example, Tomaney (1994).

<sup>19</sup> MADECO, *Memoria Anual* (1980).

<sup>20</sup> "La Saga de los Luksic," (four part series) *Qué Pasa* (October 9, 16, 23, and 30, 1993); Baring Securities, "Chile Company Report: MADECO, S.A." (Santiago: April 20, 1995), 6.

With the firm's privatization, the Luksic Group made much more serious efforts to raise productivity and harness control over hiring and firing. Replacing Fernando Pérez with Tiberio D'All Olio, an Italian manager from CEAT (still part owner of MADECO), the group steered labor relations on a new course. The ability to fire workers for "business reasons," permitted in the 1981 labor decrees, also gave management *carte blanche* to systematically attack the union. Management's strategy from the late 1970s, and more strongly after the 1983 strike (discussed below), was threefold: fire union activists, offer blue collar members incentives to switch to the white collar union (which included skilled workers and office employees), manipulate the white collar union leaders, and attempt to fire or bribe blue collar union leaders to quit (the law stipulates that union leaders can only be fired through a court proceeding unless they relinquish their job security [*fuero sindical*] out of court).<sup>21</sup> Efficiency and union-busting went hand-in-hand.

The possibility to lay off workers en masse as of 1981 interacted synergistically with another legal innovation, employers' ability to move workers from one machine to another, and to alter their job tasks: "I started working in 1981, and by the time I arrived, the helpers and quality control inspectors on each machine had been eliminated. Each machine operator had to load his raw material and tools, as well as focus on quality."<sup>22</sup>

The Luksics terminated the internal labor market in 1979, as well as internal subcontracting of family members.<sup>23</sup> The owners hired food service, security, construction and cleaning staff through personnel agencies. This process coincided with greater professionalization of middle and upper management. The employers began to require high school course work with diploma in hand for middle managers, and a university education for technical personnel. In the case of the former, it wasn't until the early 1990s that the firm began to bring on university-trained middle-managers.<sup>24</sup> Apparently, the former blue-collar employees who worked their way up

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<sup>21</sup> Interview with Héctor Velásquez, March 16, 1995.

<sup>22</sup> Interview with Luís Muñoz, November 6, 1996. Velásquez, Tonio, and the wire mill workers (cited above), made the same point.

<sup>23</sup> *Ibid.*

<sup>24</sup> Stillerman (forthcoming), interview with Tomas Jimenez, Personnel manager at MADECO, April 1994.

had cemented bonds of loyalty which allowed them to keep their jobs throughout the dictatorship.

By requiring an overeducated workforce and eliminating the internal labor market, the Luksic Group virtually eliminated blue collar workers' opportunities for upward mobility within the firm or outside, cementing their position at the bottom of the job ladder at MADECO. Though management requires that blue collar recruits have a high school education with a specialization in machine maintenance, very few of these newer workers ever make it off the shop floor into the machine shop. Many of those who joined the firm in the 1980s had to begin work before they completed their high school education because of economic hardship during the 1981-83 crisis. Thus, workers hired in the 1980s have no opportunities for upward mobility within the firm. As MADECO's only major competitor in wire production, COCESA, made a deal with the firm not to accept former MADECO employees, the latter have few exit options from the company. As one worker comments,

If you leave MADECO, you have to get into another line of work, like being a house husband, for example [laughs]. If I work ten years as a machine tender at MADECO, I can't get a job outside as a mechanic because my school training is obsolete. I can't go back to school to get my diploma because I can't afford it and can't schedule it because I work rotating shifts. I'm certainly not going to go work somewhere else for 100,000 pesos a month [about US \$250] when I make 300,000 here. I'm stuck.<sup>25</sup>

Further fine-tuning of payment forms translated into decreasing worker compensation for rising productivity. First, in 1980, management set a cap on the productivity incentive at 50% of base salary (there had formerly been no limit on the payment), with the commitment to increase the incentive immediately should productivity exceed this level. However, management did not raise the cap to 60% of base salary until 1994. Furthermore, while production consistently went beyond the cap, the incentive itself was never recalculated: workers were hardly compensated for hefty productivity increases which have continued to today. Second, during the economic crisis of 1982, the company forced workers, under protest, to give back their quarterly profit

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<sup>25</sup> Interview with Manuel, November 14, 1996. This view was expressed

sharing payments because the firm registered losses that year. Third, after a 59-day strike in 1983, discussed below, management lowered base salary scales for blue collar union members, a move which was only reversed in 1989.<sup>26</sup>

Much of MADECO's profit increases during this period resulted from wage cuts and the intensification of the work process, rather than installation of labor-saving machinery. The firm's only important innovations during this period were the consolidation of its operations in Santiago by the transfer of telephone cable operations there from Antofagasta, and the development of customer services like telephone cable installation to respond to heightened foreign competition. The Luksics dropped any pretenses to seeking workers' opinions in the mid-1980s, preferring to crack the whip.<sup>27</sup> Again, the new wave of organizational changes at MADECO -- massive layoffs, increased workloads, hardened lines of occupational stratification, and wage cutbacks-- were characteristic of Chilean firms during the period. Privatization, the Plan Laboral, and the economic crisis allowed the economic groups to make more aggressive personnel cutbacks and intensify taylorist control of the work process, but these actions were merely survival strategies in response to the crisis rather than forward-looking innovations (Martínez and Díaz 1996, Díaz 1992, Echeverría and Herrera 1993, Katz and Vera 1995, Agacino and Leiva 1994, Errazuriz, et.al. 1990, Sanchez and Paredes 1996).

*Becoming a Chilean Tiger: International Expansion and Flexible Production, 1986-1996*

In 1986, the Luksic Group appointed Carlos Vicuña, a high-level executive at MADECO, general manager. During his tenure, he has carried out the group's strategy of technological modernization within the firm, expansion in Chile, and acquisitions in neighboring Latin American countries. The group has taken similar actions in its beer, pasta, and aluminum operations during the same period. MADECO began to buy other enterprises and created its own new firms in the mid-1980s. After an unsuccessful joint venture in Beijing,

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universally by informants hired after 1984.

<sup>26</sup> "Gratificaciones;" "Los peligros," *op.cit.*

<sup>27</sup> Interview with Guillermo Catalan, November 17, 1996; MADECO, *Memoria Anual*

MADECO bought smaller competitors in Chile, like the tube and coin-blank manufacturer, ARMAT. Then, beginning in the early 1990s, the company bought analogous firms in Argentina, Peru, and Brazil. The group began to buy companies abroad because they thought that by expanding market share in neighboring countries and diversifying its product base, MADECO would be less dependent on a given product's market cycles or a Chile's small domestic market. This strategy also sought to take quick advantage of recent privatization waves in these countries, much as the family had done two decades earlier in Chile. Currently, MADECO owns fifty enterprises, many of which are holding companies, distributors, or consulting firms. It forms one of the key chess pieces in the Luksic empire, and towers over its former stature as a domestic monopoly industry.<sup>28</sup> MADECO financed these corporate acquisitions and new machinery purchases through debt and stock issues (American Depository Receipts) on the New York Stock Exchange and in Chile, raising over US \$ 90 million in 1993.<sup>29</sup>

This period witnessed minor shifts in emphasis regarding layoffs and payment forms. Periodic dismissals of union activists continued; and in addition, management began to fire workers who were sick or injured: "Before they changed this machine you had to lift a lot of heavy weights, so many people suffered lower back injuries. So, first comes the back problem, then the operation, then the doctor's permissions for rest at home, and then you're not needed anymore, so it's 'bye bye...'"<sup>30</sup> The only change in payment form was that contracts negotiated from 1985-88 offered increases below the rate of inflation, in line with the IMF-inspired tight wage policy nationally.<sup>31</sup>

Changes in the labor process have been much more significant than shifts in hiring/firing or payment. From 1990 to present, with the first large-scale introduction of new machines since the mid-1970s, the firm began

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(1980-1986).

<sup>28</sup> MADECO, *Ibid.* (1986-1996); "MADECO expects to increase income by 42%," *CHIP News* (January 14, 1997); "La Saga," *op.cit.*

<sup>29</sup> "US \$ 90 millones sumó el aumento de capital completado por MADECO," *Mercurio* (August 25, 1993), D5.

<sup>30</sup> Interview with Manuel, *op.cit.*; "Licencias médicas: el derecho de enfermarse," *Crisol* 12,4 (January 1994), 16-17.

<sup>31</sup> "MADECO: Farol de la calle, oscuridad en la casa," *Crisol* 12,4 (January

to deploy Japanese-style production techniques like just-in-time (JIT) and total quality management (TQM).<sup>32</sup> The former seeks to reduce finished goods inventories in order to cut in-process costs and dead time, forcing workers to identify and correct bottlenecks on the shop floor; while the latter tries to incorporate workers' suggestions to increase quality. Requiring workers to play a greater role in programming and quality control in itself implies an increase in work intensity, as job responsibilities expand beyond strictly productive activities. In addition, the elimination of buffer stocks places greater pressure on workers because they must fill product orders on time regardless of accidents, machine breakdowns, errors, etc. The increasing pressure on workers resulting from JIT has led managers and sociologists to describe the technique as "management through stress" (Brenner and Glick 1991, Makoto 1996, Shaiken 1994). Moreover, JIT and TQM introduce greater job rotation --often termed multi-skilling-- as production is reoriented around teams defined by product line rather than process. Management's solicitation of workers' ideas and criticisms to increase efficiency and quality is the cornerstone of these two techniques.<sup>33</sup>

MADECO has implemented these techniques in authoritarian fashion, increasing work intensity while discouraging, ignoring, or punishing workers who offer suggestions about how to increase efficiency or quality. Managers' unwillingness to include workers in efforts to improve product and process has limited these techniques' success. One worker in shipping and receiving describes how these policies actually function: "The programming is lousy here. We fill about 35% of orders on time. A lot of times we have orders which are two months early, while others are late. The general manager meets with us every year and says, 'we need to improve

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1994), 8.

<sup>32</sup> Baring Securities, *op.cit.*, notes the reduction of inventories in several product lines. Vicuña told union leaders the firm sought to adopt TQM in early 1994 in order to satisfy the demands of European customers for defect-free products: Sindicato #1 MADECO, "Asamblea General de Socios" (March 13, 1994). In many conversations, union members noted the implementation of these two models.

<sup>33</sup> On the definitions and uses of JIT and TQM, see Ferraz, et.al. (1992), Harrison (1994), Makoto (1996), Tomaney (1994), Graham (1995), Shaiken (1994), and Brenner and Glick (1991).

quality, cleanliness, and the timely completion of product orders,' but that's as far as it goes. They sent a few workers to a quality control course, but then when those workers rejected a defective order, the quality control staff who make the final decision let it go anyway. Why bother?"<sup>34</sup>

The limited success of these "cutting edge" innovations underscores the foundation of MADECO's modernization in the last decade: heightened work rhythms and increased production volumes. The introduction of computerized monitors in the early 1990s is a case in point. The monitors record when a machine is down, forcing workers to account for any time when a machine was not running: "Before you could fudge the data if you took a break because you wrote down a time log; now you can't, because you punch your data in the computer when the shift begins, so it's all recorded."<sup>35</sup> The use of computer monitors has allowed management to eliminate down time in some sections: "You have to struggle to get permission to go to the bathroom."<sup>36</sup> In a sardonic cartoon in the union's magazine, a shipping and receiving worker hopes that the union will win disposable diapers in the next contract.<sup>37</sup>

Increased work rhythms and productivity demands have fostered greater competition between workers:

When a worker arrives, he is given three months probation. In order to get a contract as a regular staff member, he works like crazy. Once he gets the contract, they move him up two pay scales. However, in order to get to the highest scale on his machine, it may take two or three years. So he produces more to try to convince management to move him up. The older worker sees him, and says to himself, 'if I don't speed up, this guy might steal my job.' And there you have it, the olympics of production.<sup>38</sup>

New machinery has also increased job rotation: "Each of the guys in my section can operate four or five machines, so when there's no work on one, they have to move to another." Another worker identified the deeper

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<sup>34</sup> Interview with Chico Castro, *op.cit.* Echeverría and Herrera (1993) and Castillo, et.al. (1996) note that in Chilean firms, the use of work teams or quality circles seldom extends below middle managers.

<sup>35</sup> Group discussion with brass mill workers, November 25, 1996. Wire mill workers made similar observations.

<sup>36</sup> Discussion with brass mill workers, *op.cit.*

<sup>37</sup> *Crisol* 14,10 (September 1996), 5.

<sup>38</sup> Interview with Velásquez and Castro, *op.cit.*

meaning of job rotation in the last period: “They want us to be polyvalent workers, so that we know how to do everything. For them, it would be best if we were robots that you could just plug in and it starts working.”<sup>39</sup>

In addition to these pressures for time economies, middle managers insist that workers put in extensive overtime hours. While overtime certainly results from the firm’s increasing orders during the boom and its attempt to work with a lean “head count,” middle managers sometimes “fabricate” overtime to pad their own salaries.<sup>40</sup> Several workers also note that most middle managers have twenty years tenure, and are thus accustomed to the abuse of their authority which was the norm under the dictatorship -- some even had direct links with military intelligence.<sup>41</sup> Until 1994, overtime was essentially obligatory, though the law prohibits employers from requiring workers to continue for more than two hours beyond their regular shift.<sup>42</sup> Management sets two rather than three shifts in some sections, creating the possibility that during peak periods, those in the former may increase the work day from eight to twelve hours, sometimes working seven days a week for months on end:

I remember a few years ago I was working overtime constantly. I broke records. I used to work and all I would think about was the next order I needed to fill, not what I was doing. One day, I was taking the bus to work, and I realized I was squeezing my bus receipt between my fingers – I was suffering from what I would call ‘acute work stress.’ I’m lucky I realized, because I could have gone off the deep end. I cut back my hours, relaxed, spent more time with my family, and recovered. But some people don’t realize, and get into trouble. One time, we finished the night shift and went out for a drink. One guy was asleep, and all of a sudden, he started acting like he was soldering. My buddies looked at him, puzzled; and I said, ‘I know what’s wrong with him, he’s overworked.’ I woke him up, and he had no idea what had happened.<sup>43</sup>

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<sup>39</sup> Both quotes from a discussion with wire mill workers, *op.cit.*

<sup>40</sup> “Los peligros,” *op.cit.*

<sup>41</sup> Discussions with brass mill and wire mill workers, *op.cit.*

<sup>42</sup> República de Chile, *Código del Trabajo* (Santiago: Editora Jurídica Publigráfica, 1992), 17-18; interview with José Pérez Concha, white collar union leader, June 3, 1994. Many informants echoed this observation.

<sup>43</sup> Interview with Carlos and Samuel, October 29, 1996. “Los peligros,” *op.cit.*, 3, cites the case of a worker who took sick leave for depression and had hallucinations of his boss while sitting in his living room.



In addition to stress, union members argue that overwork increases the likelihood of accidents on the job, provokes marital and family conflicts, and eliminates recreation time.<sup>44</sup>

The increase of overtime work in the late 1980s and 1990s which coincided with Chile's sustained economic boom further eroded workers' traditional efforts to control work intensity, output, and the length of the working day. As with the issue of work rhythms noted above, workers traditionally had implicit assumptions about setting production and overtime limits which management gradually eroded during the dictatorship. These assumptions were linked to disdain for individuals who worked faster or longer than the group accepted.<sup>45</sup> Some workers' willingness to work overtime on a regular basis in recent years has provoked an intense debate among union militants regarding how much work is too much; and what are acceptable levels of consumption.

Understanding overtime work as a strategy to satisfy consumer wants becomes complicated by the issue of debt. While the poor have traditionally suffered debts in Chile, this phenomenon changed in the late 1980s, when department stores began to offer credit cards to lower income groups. Unions have been reeling in response to the consequences of this phenomenon, because workers have become credit junkies in efforts to recuperate consumption levels which radically declined during the dictatorship. By 1995, the lowest three quintiles of income earners in Chile averaged debt close to three times their monthly income.<sup>46</sup> Union leaders have found that indebted workers are forced to work extensive overtime on a regular basis in order to satisfy credit payments. This makes them both more beholden to employers, gives them less time to participate in union activities, and less willing to threaten their good relations with the boss.<sup>47</sup> Credit card salespeople sometimes offer free cards to MADECO workers at the plant's entrance.<sup>48</sup> One MADECO worker commented, "I think

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<sup>44</sup> Discussion with wire mill workers; "Los peligros."

<sup>45</sup> Interview with Daniel, February 5, 1994; group conversations with older, younger, and retired workers, July 24, 1994 and August 5, 1994.

<sup>46</sup> Camara de Comercio de Santiago, "Deudas de consumo consolidadas por estrato socioeconomico en Chile (Antecedentes a diciembre de 1995)," (December 1996), 9.

<sup>47</sup> Union leaders at the Huachipato steelworks make a similar observation in Errazuriz, et.al. (1990).

<sup>48</sup> Interviews with Manuel and Tonio, *op.cit.*

95% of the workers in my section have debt problems.”<sup>49</sup>

This issue becomes more complex because many active union participants have also fallen under the spell of credit. Some employ a discourse of vice to describe their credit problems: “It’s a vice that we Chileans have. We like to spend more than we have.”<sup>50</sup> They see it as an addiction that could be overcome through self-control. Workers also have ambiguous attitudes regarding overtime. Many want to have the right to say no to overtime work without risk of reprisal, and note how the firm can manipulate overtime to its advantage: “If there’s a lot of overtime, and then suddenly it ends, we have to go begging to the firm for more to pay our bills. If we fall into that, the firm will have us wrapped around its finger.”<sup>51</sup> However, others criticize the injustice of supervisors who favor certain employees with steady overtime while not giving it to others: “I have to work on Saturdays because my boss decided there’s no overtime in my section, and I need the extra money to pay my bills.”<sup>52</sup> Those who use the discourse of vice also criticize union members who consistently work overtime: “Guido says he needs to work overtime, but that just helps the firm. Juan moonlights as a home repairman if he needs extra money. That way he doesn’t depend so much on the firm.”<sup>53</sup>

The issues of credit, overtime, and dependence on management is also bound up with male workers’ conceptions of gender roles. MADECO workers almost exclusively maintain their households with one income. This has historically been possible because MADECO still offers higher than average wages in industry. For example, in 1995, the average blue collar wage in 1995 was 141,591 pesos per month, whereas most MADECO workers earn between 200,000 and 250,000 pesos/month.<sup>54</sup> This phenomenon is contrary to the national trends of increasing female workforce participation during the 1980s and 1990s (Martínez and Díaz 1996). Even

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<sup>49</sup> Interview with Castro, *op.cit.*

<sup>50</sup> Discussion with wire mill workers, *op.cit.*

<sup>51</sup> Discussion with brass mill workers, *op.cit.*

<sup>52</sup> *Op.cit.*

<sup>53</sup> Interview with Cicero, *op.cit.*

<sup>54</sup> Instituto Nacional de Estadísticas, *Compendio Estadístico 1995* (Santiago, 1995); interviews with Velásquez and Castro, brass mill workers, and Manuel, *op.cit.*

though they could supplement their wages with their spouses' income, and many wives have training as schoolteachers or in other professions, husbands work extra hours to make sure that their wives don't work. Why? "I want my wife to stay home and take care of the kids because otherwise her relationship might be too distant with them. Besides, the kids might be molested at a daycare center,"<sup>55</sup> "Being poor, we kind of look down on ourselves. We assume that the women we marry who are poor like us, don't have a great educational background. What options does that give them? Working as a waitress, in a topless bar, at a massage parlor, or as a house cleaner."<sup>56</sup> Workers want their wives to play the traditional maternal role, distrust paid daycare, and see their work options as either menial or sexually degrading.

Ironically, while MADECO workers do not want their wives to work, and may work extensive overtime hours to keep them at home, they often cite their wives as a source of pressure to earn greater income to buy consumer goods or non-essentials: "Workers' wives and kids watch TV, they talk to their neighbors, and become jealous if they don't have the same things. Then the kid says, 'Daddy, I want some Reebok or Nike shoes.'"<sup>57</sup> Another worker commented, "These guys produce way too much because their wives pressure them to earn more. They want to have a standard of living inappropriate for a worker."<sup>58</sup>

Other workers echoed this theme of upward mobility. Many expressed concern that a segment of workers live to accumulate consumer goods, in a status competition with neighbors: "They need to make sure their house looks beautiful outside, but they don't even have a place to die. They need to have the latest model car, so all they think about is getting to work early to find a parking space."; "This guy bought this expensive dog. It's like a rich person's dog. He's become bourgeois (emburgesado). He wants to live like a rich man, but he's a worker."<sup>59</sup>

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<sup>55</sup> Cicero, *op.cit.*

<sup>56</sup> Discussion with brass mill workers, *op.cit.*

<sup>57</sup> Interview with Manuel, *op.cit.*

<sup>58</sup> Cicero, *op.cit.*

<sup>59</sup> Interview with Carlos and Samuel, *op.cit.*

Union members identify the ways in which overtime and debt erode worker autonomy on the shop floor, and are simultaneously wary of the seduction of upward mobility. How do overtime, debt, and the desire for upward mobility affect union participation and worker solidarity? We could only speculate regarding the answer, though it is clear that MADECO workers, union militants or not, have been absorbed into a new model of individualized consumption. They struggle between the desire to improve their standard of living and their fear that by living better, they may betray their fellow workers, on the other. The implications of this moment are yet to be identified.

MADECO's technological modernization, investments abroad, and greater integration into international capital markets follows the trend of leading Chilean firms and economic groups in the 1990s. (Castillo, et.al. 1996, Agacino and Leiva 1994, Katz and Vera 1995, Martínez and Díaz 1996, Echeverría and Herrera 1993, Paredes and Sanchez 1996). The company's entry into world-class status in the last decade, however, has increased the precariousness and intensity of work in unprecedented ways. New machinery permitted managers to further break down old job demarcations, ushering in the "polyvalent" worker; and the authoritarian application of Japanese production concepts like JIT and TQM has translated into greater work effort rather than higher quality production based on worker initiatives and suggestions. Marked by Chile's authoritarian modernization, MADECO's recent development has offered workers little cause for celebration.

The firm's evolution over the last two decades has followed the ebb and flow of Chile's volatile economic and institutional changes. During the 1970s and early 1980s, organizational change was the only option for cash-starved firms in the grips of privatization. After 1978, the labor reforms allowed employers to unilaterally eliminate benefits rather than negotiate changes informally. Further, the laws' provisions for mass layoffs and job rotation allowed MADECO's managers to eliminate peripheral staff and begin to erode the one worker-one machine equation. In the last decade, the economy's rapid growth and increasing links between Chilean economic groups and international capital have permitted firms to renovate machinery, acquire other

industries, and introduce more contemporary managerial concepts. This phase of modernization, however, has maintained the authoritarian cast of the earlier period, and in no way represents an improvement in working conditions. To the contrary, workers face increasing demands with no compensation to show for it. The continuity of increasing employer control and decreasing economic compensation for workers throughout these three periods is notable, given that MADECO workers are among the most privileged in Chile. While many studies link the social costs of Chile's economic model most closely to subcontracting and other forms of precarious work (Agacino and Leiva 1994, Martínez and Díaz 1996, Petras, et.al. 1994), the MADECO case demonstrates that stable work itself became precarious during the "Chilean miracle."

#### **UNION ACTIVISM AND EMPLOYER RESPONSES: THE END OF AN ERA?**

The detailed discussion of industrial rationalization at MADECO above is deceptive in that it does not incorporate workers' considerable shopfloor and union resistance to these two decades of labor intensification and salary declines. In another article, I discuss the path from clandestine resistance in the 1970s to open confrontation in a bitter 59-day strike in 1983, and the blue collar union's work to develop a grassroots labor movement as an alternative to national labor organizations (Stillerman, forthcoming). In this final section, I focus on how the payment modifications negotiated in the mid-1970s and work intensification in the late 1980s and 1990s fueled a violent strike in 1993. The reader will note that MADECO workers had a great deal to complain about in the 1990s, but in order to understand how and why open resistance emerged, it is first necessary to discuss the consequences of managerial repression against the union after the 1983 strike, and the political experiences of workers hired during the 1980s.

After the 1983 strike, management fired over 100 strike activists, and continued to focus attacks in the wire mill throughout the 1980s. Why did they focus on the wire mill rather than the brass mill? First, because Héctor Velásquez, the only member of the directorate reelected after the strike, worked there. As noted above, the

law stipulates that union leaders can only be fired through a court proceeding. Though Deischler tried this, and even set him up in 1984 by planting a bomb outside the firm and then calling in the police to arrest, interrogate, and torture him, he was unable to build a defensible case against Velásquez. Given that they could not fire him, management dismissed his coworkers: “Personally, this produced a very difficult situation for me. I had to isolate myself at work, because anyone who talked to me got burned.”<sup>60</sup>

Another reason why the wire mill got hit the hardest was that it had a larger pool of activists than the brass mill: “There are always more people willing to collaborate with the union in the wire mill. They’re predisposed to do the methodical work on committees, and to run for office. The guys in the brass mill are more combative, more ready to fight, but they don’t produce as many leaders.”<sup>61</sup> Yet another possible explanation for these distinct managerial strategies in the two plants is their different markets. The wire mill produces almost exclusively for the domestic market, and faces two local competitors. The brass mill, by contrast, has a monopoly on the local market and exports to over thirty countries.<sup>62</sup> Furthermore, while work in the brass mill is more physically taxing and pays less than in the wire mill, workers there toil in teams in several sections rather than on individual machines. Team work gives brass mill workers more power at the point of production, and makes increases in individual job responsibilities more difficult to impose.<sup>63</sup> Wire mill workers were more dispensable, while brass mill workers may have greater options and face less risks for resistance on the shop floor rather than through formal union activism.

Given that the prime pool of activists was in the wire mill, and management did everything in its power to eliminate this group, the union faced a chronic shortage of viable leadership candidates. While Velásquez has continued until now, and Guillermo Gómez, another 1983 strike activist from the brass mill, served until 1989,

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<sup>60</sup> Interview with Velásquez, November 24, 1996.

<sup>61</sup> *Ibid.*

<sup>62</sup> Salomon Brothers, et.al., “Prospectus: 3,937,500 American Depositary Shares, Representing 39,375,000 Shares of Common Stock: MADECO, S.A.” (New York, May 7, 1993).

<sup>63</sup> Interviews with Carlos and Samuel, brass mill workers, *op.cit.*

the leadership was plagued by a series of bad apples beginning in the late 1980s. In 1988, Mario Muñoz, a wire mill worker and the union's secretary, was fired for stealing from the firm.<sup>64</sup> In 1991, José Oviedo, a brass mill worker and union director, stole union funds and negotiated his retirement without advising the other union leaders.<sup>65</sup> Finally, in 1994, four of five union leaders were caught for underpayment of medical bills at the union's clinic. One of these three was not reelected, and sold his job security (*fuero*). Two more were reelected and subsequently retired. The remaining perpetrator continues in office. Petty corruption was the order of the day.<sup>66</sup>

These revelations provoked distrust and demoralization among union members; though surprisingly, the brass mill leaders found guilty in the most recent scandal were reelected by their constituents. Some union members express great disappointment in their leadership: "It looks like being a union leader has become a trampoline for making a fast buck. And you ask yourself, 'well what about the rank and file? Did you think about us when you sold the *fuero*?'"<sup>67</sup> The leadership crisis in the union, however, did not place a damper on union activism, as rank-and-file members became increasingly restive.

Younger workers have a set of social and political experiences which made them prone to react to the firm's most recent modernization. Though workers hired in the 1980s were often new to trade unionism, some had parents who had been union leaders and leftist militants.<sup>68</sup> Others had been political militants and activists in the shantytown protests of 1983-1986.<sup>69</sup> The defining political experience of this entire cohort, in fact, was participation in the national protests from 1983-1986: "We liked to go out and protest in the streets. Then, when we came to work at MADECO, they would force you to do overtime, and you couldn't say 'I don't want to.'

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<sup>64</sup> Sindicato #1 MADECO, "Asamblea General de Socios" (January 14, 1988).

<sup>65</sup> "Asamblea General" (May 31, 1991).

<sup>66</sup> Velásquez, November 24, 1996.

<sup>67</sup> Interview with Carlos and Samuel, *op.cit.* Others express similar sentiments.

<sup>68</sup> Interview with Arturo, discussion with brass mill workers, *op.cit.*

<sup>69</sup> Interview with Manuel, *op.cit.*

We weren't used to being bossed around like that."<sup>70</sup> The contrast between their newfound freedom in the streets and the authoritarian surveillance in the factory would be a key catalyst for activism.

### *System Breakdown*

In the context of the rapid changes in the labor process, a crisis in union leadership, and the coming of age of a new cohort of workers, conflicts over the firm's overall model of authoritarian modernization crystallized over two issues: overtime payment and profit sharing. In 1991, with the help of their lawyer, the union learned that management had systematically underpaid workers for overtime, excluding the production incentive, higher hourly rate for the night shift, etc., from payment. In other words, workers were not even paid the fixed incentive set in 1980 which in itself did not compensate them for radical production increases. The union sued management for repayment of lost hours in 1994, and accepted an out-of court settlement in 1995.<sup>71</sup> However, the issue of profit sharing, because of the hefty sum involved, was not as easily resolved.

In mid-1992, the union sued the firm for underpayment of quarterly bonuses based on the firm's profits during the late 1980s and early 1990s. The proposal to sue the firm actually originated with the historically more conservative supervisors' union, and was quickly picked up by the white- and blue-collar unions. The reader will recall that management eliminated a series of benefits and replaced them with these quarterly bonuses in 1977. However, the union found that the firm was only paying part of the 30% of net profits it owed the workers under the 1977 pact. With contract negotiation pending for the end of the year, management refused to negotiate salary issues unless the union dropped the suit and agreed to rewrite the section in their contract on quarterly bonuses, thereby eliminating the legal grounds for their suit. The supervisors' union bowed to the pressure, and when management offered a vacation bonus to those who would sign away the suit and join newly created non-union

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<sup>70</sup> Discussion with brass mill workers, *op.cit.* All workers hired during this time remembered participating in the protests.

<sup>71</sup> "Demanda laboral," *op.cit.*; interview with Cicero, November 9, 1996.



negotiating groups, half of the white collar union (all of its office staff) left the union. Many who bailed out did not realize that a smaller severance payment and more due causes for dismissal were hidden in the fine print of their new contracts. The blue collar union stood firm and refused to accede to management's ploy.<sup>72</sup>

Ironically, the firm had not attempted to challenge the unions' monopoly over the workforce until the return of civilian rule. They had had the legal right to set up parallel unions since 1979, but up until 1992, management's strategy had not gone that far. As noted above, the personnel manager had used other means to intimidate and neutralize union members which fell short of organizing parallel groups. This new strategy was far more dangerous to the unions, as it made possible a permanent split in the workforce between union members and company loyalists.

Why did management make this drastic decision in 1992? First, labor reforms after the democratic transition had created new legal opportunities for workers unavailable during the junta, including the right to sue for non-payment of profits. In other words, workers' legal rights did not fundamentally threaten management before 1990. Second, MADECO stood to lose about US \$10 million from the suit: the stakes were too high to risk losing in court, and management knew they had little legal recourse.

While this full frontal attack on the union would in itself justify open resistance, the meaning of the conflict must be understood in broader terms. First, union members were suspicious of management's unwillingness to simply fight the case out in court: "If they thought they were right, why didn't they just settle in court? Because they tried to block the suit, it made it appear that they were hiding something, and that made us more certain that we were right."<sup>73</sup> Union members figured that if management was trying to hide something by not going to court, they had probably cheated on the quarterly bonus as well. At a deeper level, members were disgusted that after all of their sacrifices to produce more in the last years, they had been cheated out of a share of

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<sup>72</sup> Interview with José Pérez Concha, *op.cit.*; Sindicato #1 MADECO, "Asamblea Extraordinaria," (May 28, 1992); "Cuanto vale la demanda por gratificaciones," *Crisol* 10,2 (November 1992), 3-8.

the profits, while management and stock holders were handsomely rewarded: “You see the firm become more and more profitable, and we’re stuck in the same place, without any kind of compensation or gratitude for all extra responsibilities we’ve assumed and the resulting productivity increases.”<sup>74</sup>

The strike itself adopted the visual style and ethos of the 1983-1986 protests. Strikers tooted on cornets, banged on garbage cans, pelted vans transporting strikebreakers with rocks, and had skirmishes with the police. Neither the union’s leadership, older leaders, nor management were prepared for the level of violence and bravado witnessed during the strike. One veteran of the 1983 strike commented, “I never imagined younger workers would go on strike. I thought they were more anti-union, but they were really were really committed.”<sup>75</sup> Union leaders were equally out of sorts: “We knew that a peaceful strike wouldn’t work, so our goal was to intimidate management... We had a group that got together at night and cut the electricity, flattened the tires of trucks in the warehouse, and blocked the entry of strikebreakers to the firm. Most of the leaders had no idea about this. We had a sort of parallel organization of rank-and-file workers from both plants that organized these sabotage actions.”<sup>76</sup> The executives were indeed intimidated: “Management never imagined that the strike would be so violent. They were shocked.”<sup>77</sup>

Was this conflict aided or abetted by political parties? As I noted above, the strikers’ principal activist experience was participation in the protests, rather than party activism. I have argued elsewhere that most workers feared political activism during the 1970s and early 1980s (Stillerman 1994). When I asked the one strike activist from the wire mill who admitted former activism in the Communist Party before working at MADECO if others were political militants in the plant, he pointed to Velásquez, the union leader (who works with leftist activists but does not adopt a public political identity). Strikers in the brass mill evidenced open

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<sup>73</sup> Interview with Arturo, *op.cit.*

<sup>74</sup> Interview with Tonio, *op.cit.*

<sup>75</sup> Interview with Luís Muñoz, *op.cit.*

<sup>76</sup> Interview with Arturo, *op.cit.*

<sup>77</sup> Interview with Tonio, *op.cit.*

hostility toward parties: “Some of the union leaders brought party representatives during the strike, but we kicked them out because whatever we accomplished, we wanted to do ourselves.”<sup>78</sup> Contrary to the historical traditions in MADECO and in the Chilean labor movement, most MADECO workers today espouse an ideology of anti-politics. Thus, the strike itself cannot be explained as a party-led mobilization.

The conflict itself only lasted one week. The strikers were astute in planning a march to the presidential palace just when American and European investors were visiting the firm, housed in the Hotel Carrera across the street (also owned by the Luksic Group):

The most important event was when we marched at La Moneda. Since investors were staying across the street, management agreed to drop its demand on the lawsuit that afternoon. We met with a staff person at the Ministry of Interior. Our wives and kids marched there with us. At first, we thought the police wouldn't let us march, so we arrived in small groups. The police surrounded us, spoke with our lawyer, and allowed us to continue if we weren't violent or disrespectful. All the press covered the march.<sup>79</sup>

The strikers had found the firm's Achilles heel: if they could threaten the stock offering in the U.S. (presumably the issue discussed with the investors), then they could twist management's arm. While this action was obviously strategically successful, again, it must be placed in a broader context. Just as strikers used their repertoire of action developed during the 1983-1986 pro-democracy protests, the symbolic power of actually marching in front of the presidential palace after seventeen years of dictatorship should not be underestimated. As one young striker characterized the conflict as a whole, “Boy, people really fought in that strike. It was like saying, `now we're in democracy! It served as an example for the youth.’”<sup>80</sup> Schooled in the cauldron of anti-dictatorial protest, this strike's younger protagonists displayed their particular conception of democracy during this brief conflict.

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<sup>78</sup> Interview with Arturo, *op.cit.* Tonio and Angel made similar comments.

<sup>79</sup> Interview with Angel, November 9, 1993.

<sup>80</sup> Discussion with brass mill workers, *op.cit.*

With the strike's successful conclusion, union members won their right to continue the case, and two years later, the Supreme Court ruled in their favor. However, the Comptroller General has put the brakes on their actually being paid, claiming a problem with calculating their individual payments. The legal (symbolic or real) was a two-edged sword. After the strike, management offered non-strikers a 100,000 peso bonus, sparking a cafeteria protest by brass mill workers. They overturned their lunch trays in a *viandazo*.<sup>81</sup> Management fired thirty-four workers after the protest. Leadership was again caught off-guard by the rank-and-file's initiatives. While an inexperienced union leader noted that he had casually mentioned to other workers on the street that maybe they should protest the bonus, he accepted that he should have raised the issue in a union assembly. The other leaders were equally befuddled. Union members who recall the incident blame the leaders for not anticipating and defusing the event. The thirty-four who were sacked had to agree to retire voluntarily in order to avoid facing criminal charges for sabotage.<sup>82</sup> The firm, still reeling from the strike, hired a psychologist to study the reasons for the bad "labor climate." He found that workers were unhappy at the firm, saw no opportunities for training, and felt there was no communication between workers and management. In response, the general manager began Monday morning breakfast chats with workers in different sections, but most were afraid to speak because their immediate supervisor was present, and anticipated they would be fired if they complained.<sup>83</sup>

Since the strike, management has stepped up intimidation of union members and favorable treatment for non-members, hardening divisions on the shop floor. Today, most non-union members previously belonged to the

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<sup>81</sup> A form of protest which copper miners in the Chuquicamata mine made famous in one of the first public labor protests under the dictatorship in 1977. See Falabella (1989).

<sup>82</sup> Sindicato #1 MADECO, "Asamblea" (April 8 and 16, 1993); interviews with Manuel and Arturo, *op.cit.*

<sup>83</sup> "Psicólogo y psicosis: Apareció el resultado de la encuesta de los psicólogos de la U.C.," *Crisol* 12,5 (July 1994), 13-14; interview with Angel, November 17, 1996.

white collar union, but this situation could change. Membership statistics for the different groups follow:<sup>84</sup>

Blue Collar Union:	340
White Collar Union:	124
Supervisors' Union:	57
Blue Collar non-union Group:	40
White Collar /supervisory non-union Group:	307

While it is clear that the pattern of affiliation set at the strike continues, it is less clear how long the union can continue to attract new blue collar workers, nor how the absence of allies among most white-collar and supervisory staff may affect the union's negotiating power. Another way management has undermined union power since the strike was by transferring sixty workers from the brass mill's aluminum section to Indalum, a firm acquired by MADECO. Workers in the new plant fall under a different contract with much lower wages and benefits, representing an absolute loss in membership for the union. Will management further decentralize production along these lines?<sup>85</sup>

The 1993 strike demonstrated hidden tensions in Chile's "miracle." Younger workers held cultural and political resources from the previous decade which they deployed in a guerrilla war against the firm in response to systematic underpayment and ever-heightened work pressures. However, this strike represents a crisis of unionism on a deeper level. The disjuncture between union leaders and the rank-and-file, and employers' ability to continue layoffs without a response resulted from the union's leadership crisis. A shortage of committed leaders, and a legacy of petty corruption delegitimized most current leaders, and forced inexperienced union activists to take matters into their own hands. MADECO workers fought back, but was the union better off as a result?

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<sup>84</sup> Phone conversation with Velásquez, March 25, 1996.

<sup>85</sup> *Ibid.*

## CONCLUSIONS

I have argued that MADECO managers subjected workers there to successive wage cuts, benefit rollbacks and increased job responsibilities and work effort over the last two decades. The entry of a new cohort of workers who had participated in the 1983-86 protests reacted to systematic underpayment and management's efforts to extend work effort to its physical limits by holding a violent strike whose reverberations echoed throughout the following year. Younger workers developed their own strategies and repertoires of action during and after the strike because of their distance from a leadership plagued by petty corruption scandals. In addition to purging strike activists after a cafeteria protest, management took an unprecedented step against the union by creating parallel non-union organizations.

As I have argued elsewhere, the consolidation of labor market deregulation with the 1978-81 labor reforms was a first step in creating a cultural break between an older generation of solidary and politicized unionists and a new, less participatory cohort (Stillerman, forthcoming). However, this new scenario represents a qualitative shift: not only can management hire and fire at will, but the erosion of fixed job descriptions, the chaos of JIT, and the elimination of a union monopoly over the workforce has dealt a much more profound blow to working-class solidarity and organizational power.

MADECO executives' success in creating non-union negotiating groups suggests a deep weakness among the rank-and-file: a potential to seek individual solutions to collective problems. Strike activists locate a shift to a more individualistic cohort roughly between 1990 and the strike of 1993: "Under democracy, the workers have become more individualistic."<sup>86</sup> In addition to the less solidary attitudes of new workers, union members themselves struggle with how to satisfy their needs and those of their families while still remaining loyal to their fellow workers. This generalized tendency among workers toward more individualistic attitudes suggests

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<sup>86</sup> Interview with Carlos and Samuel, *op.cit.* Arturo, Manuel, and Castro made

that Chile's transition to democracy, rather than facilitating an increase in civic participation, has witnessed a withdrawal to more privatized identities and practices.

While the future direction of such changes is uncertain, I would like to offer three provisional (though not mutually exclusive) explanations as to why they have appeared in recent years. First, workers beginning employment in the 1990s have no experience as trade unionists or shantytown activists. Entering the work force in a period of low unemployment, slowly rising wages, and government efforts to build social consensus, neither massive unemployment nor the ferment of opposition to the junta are available resources to activate their social conscience. Older workers have also been affected by the social peace and absence of extreme hardship during the current period.<sup>87</sup>

Second, the architects of Chile's "Seven Modernizations" viewed their deregulation of the labor market and privatization of social services as a means of inculcating apolitical consumerist values throughout the population (Constable and Valenzuela 1991). Management's ability to create parallel workers' organizations based on appeals to individual self-interest suggests that the military were partially successful in this respect. Additionally, the availability of a greater variety of consumer goods with trade liberalization in the late 1970s, the generalization of TV viewing, increasing access to consumer credit, and slowly rising wages in the last decade have certainly made some degree of luxury consumption both a possibility and a goal for a larger percentage of Chileans than ever before.

Finally, flexible production techniques were designed, in part, to increase individual worker competition.

As Kumazawa Makoto describes the Japanese corporation of the 1970s and 1980s: "Employees are thus

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similar observations.

<sup>87</sup> Oxhorn (1995) argues that the decline of shantytown activism since the 1988 plebiscite results from the predominance of political parties in public space, and the end of the period in which society united against the dictatorship. Petras, et.al. (1994) argue that national labor leaders quelled labor mobilization to support the government. These comments are suggestive, though they assume that political elites are the only actors who catalyze and demobilize popular groups. As is clear from my analysis, I strongly disagree

scrutinized in depth, placed in competition with each other, and judged once again by the outcome of the competition” (1996, p.251). While the dynamics of industrial change and entrepreneurial culture in Chile were sharply different than in Japan, we can certainly find an analogy to this description in the ‘olympics of production,’ in which new workers struggle to increase their salary scale and older workers scramble to keep their jobs. Like MADECO, businesses around the world which deploy flexible techniques also maintain a policy of “union avoidance” (Makoto 1996, Graham 1995, Shaiken 1994, Harrison 1994). The decisively anti-union cast of the dictatorship and the labor law it bequeathed to the civilian governments, and the incentives and punishments MADECO managers mete out to workers to encourage them to work longer and harder stand out as extreme illustrations of the logic of flexible production.

If the emergence of greater individualism among MADECO workers can be traced to the current political and economic conjuncture, institutional changes during the dictatorship, generalized changes in consumption patterns, and MADECO managers’ appropriation of flexible production techniques, one feature of “Chilean style” flexible manufacturing should stand out. While Chile has completed a stable transition to civilian rule, the principles, practices, and sometimes, officials of the dictatorship remain inside the Chilean workplace. For Chilean workers, the dark side of the “miracle” survives.



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