

THE MAQUILADORAS OF MEXICO

Stretching the length of the border between the United States and Mexico is a 210-kilometre strip of land known as the maquila or maquiladora zone. Maquilas, or maquiladoras, are foreign-owned factories. In Mexico, where 40 per cent of people live below the poverty line, maquiladoras provide jobs for more than a million people. But these jobs come at a cost that some people say is too high. The labourers, many of them women, work very long hours for low wages in conditions that are often difficult.

“The job is a terror,” one woman told an interviewer. “The noise. The monotony. The constant danger of the machine . . . Sometimes I have a nightmare in which the machine swallows me whole. In the factory, the [assembly] line is the worst. It crushes your fingers and, in the end, your mind as well.”

Pros and Cons of Maquiladoras

More than 3000 maquiladoras employ about 17 per cent of the Mexican workforce. This makes maquiladoras Mexico’s second-largest source of jobs. This sector accounts for 25 per cent of the country’s gross domestic product and 45 per cent of its exports.

Because of the low wages and harsh working conditions, maquiladoras are controversial. Some people defend them, saying they provide a way for Mexicans to get ahead. But others say that when companies move their operations to Mexico to take advantage of lower labour costs and looser environmental rules, they are exploiting Mexican workers and taking high-paying jobs away from workers in developed countries.

How Maquiladoras Began

The term “maquiladora” is a Latin-American Spanish word that has come to mean foreign-owned plants where goods are assembled for export to the United States.

The maquiladoras were set up under a special government program that started in 1965 and offered tax breaks to companies that located in the maquiladora zone.

In 1972, the program was expanded to include all of Mexico. Now, every Mexican state has at least one maquila. But most plants remain in the maquiladora zone to take advantage of lower transportation costs to the U.S.

About 87 per cent of maquiladoras are either directly owned branch plants of American corporations or subsidiaries of U.S. companies. Transnationals that operate maquiladoras include BMW, Volkswagen, Fisher Price, Ford, General Motors, Honda, Nissan, IBM, and Mattel.

In the past, most maquila jobs were low-wage assembly-line positions that required few skills. Low taxes and low wages meant higher profits for manufacturers. But today, new plants are being built and more jobs involve automated manufacturing, research, design, and development. And working conditions in many maquiladoras are improving.

Figure 10-7 The Maquiladora Zone



Figure 10-8 Advantages of Maquiladoras for Foreign-Owned Companies

| Working Conditions and Costs | Advantages |
|------------------------------|--|
| Wages | Wages for assembly-line workers are much lower than in developed countries. |
| Work Week | The standard work week in Mexico is 48 hours, compared to 40 hours — or less — in the United States and Canada. |
| Costs | Government programs keep start-up costs and the overall costs of making goods lower than in developed countries. |
| Transportation | Being close to markets in the U.S. keeps transportation costs low and allows goods to be moved by rail or road. |

Concerns about Workers

Most maquiladora workers are young girls and women. Employers prefer to hire women because women in developing countries generally receive lower wages. In addition, companies find that women will often tolerate worse working conditions than men. This has led critics of maquiladoras to charge that the sector exploits women.

But employers argue that maquiladora workers earn more than female workers in other parts of Mexico. They are also acquiring new skills. And the balance of the labour force is shifting — in 1980, 80 per cent of maquiladora employees were female, but this figure is now about 60 per cent.

Low wages are the key to attracting foreign companies to Mexico, so there is pressure to keep pay rates down. This means that for many workers, salaries are not high enough to meet basic needs. Estimates have suggested that some labourers must work more than four hours to earn enough money to buy four litres of milk. And most workers live in hastily built and inadequate shantytowns, often far from their home and family.

In addition, forced overtime is common, conditions are often unsafe, and some workers are younger than the minimum working age, which is 14 in Mexico.

Employment stability is also a problem. Employee turnover in some maquiladoras reaches 80 per cent because of poor working conditions. In addition, the maquiladoras act as shock absorbers for the foreign corporations that own them. When these companies face hard times, they lay off Mexican workers or close plants. Currency exchange rates can also

make Mexican wages more expensive than wages in Malaysia or China, for example, and this can trigger a shifting of work out of Mexico.

Concerns about the Environment

Many maquiladoras use toxic chemicals in their operations, and these may be harmful to workers. In addition, international agreements require companies to transport their hazardous waste into the United States for disposal. But to save money, many companies simply dump it — illegally — in Mexico. Because these companies pay little in taxes and can threaten to move if their costs become too high, local governments can do little to protect the environment.



Figure 10-9 These workers at a maquiladora in Reynosa, Mexico, are packaging seat-belt components for export to the United States.

Explorations

1. Explain why maquiladoras have become an important part of expanding globalization. What do foreign companies gain? What do consumers gain?
2. Examine Figure 10-8. Based on the information it contains, what do you think Mexican workers gain from maquiladoras? Do you think the benefits of maquiladoras outweigh the costs — or vice versa? Locate your position on a continuum like the one shown. Explain the criteria for your judgment.
3. As globalization continues, what do think will happen to maquiladoras? Will this sector expand or become smaller? What will be the major forces behind this change? Explain your thinking to a classmate and work together to write a brief summary of your ideas.

Too costly _____ Highly beneficial