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### Capitalist Restructuring, Development and Labour Migration: the Mexico-US case

Raúl Delgado Wise <sup>a</sup>; Humberto Márquez Covarrubias <sup>a</sup>

<sup>a</sup> Development Studies Institute, University of Zacatecas, Zacatecas, Mexico

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# Capitalist Restructuring, Development and Labour Migration: the Mexico–US case

RAÚL DELGADO WISE &  
HUMBERTO MÁRQUEZ COVARRUBIAS

*ABSTRACT* The current dynamics of South to North migration flows can be explained by the nature of the ongoing process of capitalist restructuring, but in order to examine these issues we must approach them from the perspective of critical development studies. Mexican migration to the USA is paradigmatic of the regressive consequences of neoliberal structural adjustment policies and processes of regional integration based on access to cheap labour. From the lens of the political economy of development the dialectical relationship between development and migration can be analysed through three major movements: the dismantling and rearticulation of the productive apparatus, the creation of vast amounts of surplus population, well beyond the conventional formulation of the reserve army of the unemployed and the acceleration of migration flows. An examination of these issues leads us to conclude the following four facts: capitalist restructuring results in forced migration; immigrants contribute to capital accumulation in labour-receiving countries; migrants help sustain the fragile socioeconomic stability of the migrants' country of origin and, if used as a tool of social transformation, development can curtail forced migration.

Since the 1970s developed countries have been led by the USA into a wide and complex process of capitalist restructuring. Its pertinent implementation strategies include innovations in the field of information and communication technologies (ICTs) and financial internationalisation, along with two fundamental processes: the internationalisation of production and the transnationalisation, differentiation and precarisation in the labour market. Contemporary capitalism has organised a new world order within the framework of neoliberal globalisation, and this has replicated the socioeconomic asymmetries between developed and underdeveloped countries on an unprecedented scale. It has also deepened social inequalities, poverty and marginalisation within migrant-exporting, underdeveloped nations. The welfare

*Raúl Delgado Wise and Humberto Márquez Covarrubias are both at the Development Studies Institute, University of Zacatecas, Faroles #104, Fracc Colonial, Zacatecas, Mexico CP 98065. Email: rdwise@estudiosdeldesarrollo.net.*

state is being dismantled in both sending and receiving countries, while the flexibilisation and precarisation of the labour market become extreme and the environment irreversibly deteriorates. In this context the vision of development present in the discourse of international organisations and the US political agenda serves to mask the implementation of neoliberal structural adjustment policies that have deepened the substandard conditions in so-called Third World nations. The implantation of development as a tool for social transformation is, in fact, one of the greatest challenges currently facing humankind.

The significant increase in migration flows, especially those from South to North, is one of the many current expressions of the growing asymmetries that characterise contemporary capitalism. In 1980 international migration involved almost 100 million people: 47.7 million were from developed countries while 52.1 million came from underdeveloped ones.<sup>1</sup> By 2006 the rate had grown to nearly 190 million migrants: 61 million had moved from South to South, 53 million from North to North, 14 million from North to South, and 62 million had relocated from South to North.<sup>2</sup> A substantial component of these flows is labour-related. Indeed, the flow of family remittances sent from North to South has increased even more, from US\$48 000 million in 1995 to \$199 000 million in 2006. If we include informal, non-registered sending channels, this number increases by 50% or more, at which point remittance flows exceed foreign direct investment (FDI) and more than double the official aid packages provided to underdeveloped nations.<sup>3</sup>

The accelerated growth of North to South remittances flows and an increase in poverty, marginalisation and social inequality have led the main international promoters of neoliberal structural adjustment to focus on migration and development and suggest that migration can become a development tool for countries with high emigration rates. Some authors have referred to this theory as the 'new development mantra',<sup>4</sup> a belief that remittances can be channelled into productive investments that can propel development. 'Or to put it less positively, the idea is that some of the most exploited workers in the world can make up for the failure of mainstream development policies.'<sup>5</sup> This optimistic vision is based on the idea that 1) remittances can be used as a tool for development on several levels; 2) the diaspora is an agent of development; 3) return migration results in the incorporation of new abilities and attitudes; 4) the circulation of talent is a source of human capital; and 5) temporary worker programmes can benefit both sending and receiving countries.

The paradigmatic case of Mexican migration to the USA serves to explore the relationship between migration and development in the context of ongoing capitalist restructuring and, in particular, in relation to the implementation of structural adjustment policies. The USA, the architect behind the concept of 'globalisation', is also the world's largest immigrant receiver and remittance sender. Mexico, on the other hand, is one of the world's largest migrant exporters and remittance receivers, along with India. The USA and Mexico participate in a scheme of regional integration which, strengthened by the North American Free Trade Agreement (NAFTA),

regulates current migration dynamics. Migration can be seen as a historical tradition conditioned by vicinity (the 3000-km long border is one of the most transited on the planet), a unidirectional character (98% of Mexican emigrants go to the USA) and massive flow (the Mexican exodus is the world's largest);<sup>6</sup> it is also mostly labour-based. Specifically its present dynamics are a response to the productive internationalisation strategy employed by the large USA corporations,<sup>7</sup> which is linked to the transnationalisation and precarisation of labour markets brought about by neoliberal policies of structural adjustment. Far from creating a 'free trade' pattern that benefits both nations, regional integration has resulted in new relations of production that involve a novel, unequal system of exchange in which Mexico becomes a specialised provider of cheap labour force and, to an extent, also natural resources.

The purpose of this article is to examine the current dynamics of Mexican migration and its links to US restructuring processes. This poses a number of theoretical and conceptual challenges involving a critical assessment of the relationship between capitalist restructuring, regional integration and labour migration, as this analysis must supersede the prevailing views of the relationship between migration and development. Regardless of the singularities of the Mexico–USA case, such an analysis can help us illustrate the regressive consequences of structural adjustment policies in Southern countries and contest the idea that migration can be employed as a motor of development.

### **The perspective of a political economy of development**

Our subject cannot be approached from the limited perspective of current migration theories or the extant, embryonic theories involving migration and development. We suggest that the best way to do this is to place the phenomenon within the framework of *critical development studies*. Here we use the field of the political economy of development to construct a new theoretical perspective that will allow us to examine the nature of contemporary capitalism and its relationship with migration dynamics.

An offshoot of political economy and Latin American structuralist and dependency theories, the political economy of development provides an unparalleled set of analytical tools employing the following factors:

1. The ample range of interactions inscribed within the North–South (or development–underdevelopment) dynamic without losing sight of the levels of differentiation present in each pole of the relationship.
2. The interactions between several spatial levels (local, national, regional and global) and social dimensions (economic, sociological, political, cultural, environmental).
3. A transdisciplinary vision that, contrary to the 'economicist' and 'structuralist' stereotypes sometimes applied to this area, makes theoretical use of several fields of study.
4. A concept of development that surpasses limited, normative and decontextualised concepts by acknowledging the need for social

transformation, based in the structural, strategic and institutional changes required to advance the living standards of the underlying population. This process must comprise a variety of actors, movements, agents and social institutions operating on several planes and levels.

According, then, to the political economy of development, international migration is tied to the problems of development and its deep causes and effects cannot be found if we study it on its own. In order to approach migration's cause-and-effect relationship with development and examine specific moments in the dialectical interaction between development and migration, two issues must be addressed.

First, strategic practices. This refers to the confrontation between different projects that espouse diverging interests, which in turn underlie the structures of contemporary capitalism and its inherent development problems. There are currently two major projects. The hegemonic one is promoted by the large transnational corporations, the governments of developed countries led by the USA, and allied elites in underdeveloped nations, all under the umbrella of international organisations. The project's loss of legitimacy under the aegis of neoliberal globalisation means that, nowadays, rather than speak of hegemony we can use the term 'domination': the implementation of this project is not the result of consensus but, rather, military action and the financial imposition of the Washington and Post-Washington Consensuses. The second, alternative project consists of the sociopolitical actions of a range of social classes and movements as well as collective subjects and agents who endorse a political project designed to transform the structural dynamics and political and institutional environments which bar the implementation of alternative development strategies at the global, regional, national and local levels.

The second issue that requires addressing is structural dynamics. This refers to the asymmetric articulation of contemporary capitalism on several planes and levels. These include the financial, commercial, productive, and labour market spheres, as well as technological innovation (a strategic form of control) and the use and allotment of natural resources and environmental impacts. These factors condition the ways in which developed, developed and underdeveloped, and underdeveloped countries relate to each other. They also determine the fields in which interactions between sectors, groups, movements, and social classes take place. All of this is expressed differently at the global, regional, national and local levels.

### **Regional integration and labour migration**

During the 1970s the USA began promoting neoliberal structural adjustment policies in Mexico and other underdeveloped countries. The policies were based on privatisation, deregularisation and liberalisation strategies and were imposed by the IMF and the World Bank in alliance with the dominant elites and national governments. They promised to reduce the asymmetries between nations and open a new path towards economic development.

Instead, the Mexican economy was forced to focus on exports in response to a new mode of regional integration based on the depreciation of the labour force and characterised by the following three factors: 1) the dismantling and rearticulation of the production apparatus; 2) the generation of vast amounts of surplus population, well beyond the conventional formulation of the reserve army of the unemployed; and 3) the acceleration of migration flows.

*The dismantling and rearticulation of the production apparatus*

Mexico has been subjected to a progressive dismantling of the production apparatus created during its import substitution period (which, in a way, is reminiscent of new forms of primitive capital accumulation<sup>8</sup> and creative destruction<sup>9</sup>) and forced to reorient its economy toward a peculiar form of exportation based on cheap labour force. This and the particular mode of regional integration determined by NAFTA are the result of strategic policies implemented by agents of large transnational corporations and the US government under the umbrella of certain international organisations. NAFTA itself was created and implemented by a sector of the US political class allied to the large transnational corporations and their counterparts in Mexico and Canada.<sup>10</sup> In the case of Mexico a sector of the Mexican business elite led by the Consejo Coordinador Empresarial (Entrepreneurial Council), which is linked to the Comisión de Organismos Empresariales de Comercio Exterior (Commission of Entrepreneurial External Commerce Organisations) participated actively in this process, as did the government.<sup>11</sup> Mexico soon became Latin America's major exporter and the world's 13th, supposedly because of the successful implementation of the economic reforms. At first glance, 90% of its export platform was comprised of manufactured products, 39.4% of which was classified as 'technical progress-diffusing goods'.<sup>12</sup>

However, in order to understand the Mexican economy's regional integration process we must reveal what it is that the nation really exports and demystify the idea that it possesses a buoyant manufacturing exports sector. We contend that the Mexican economy follows a *labour force export-led model*, an externally oriented restructuring process that responds to US capital's need for cheap labour that can undertake productive restructuring on a bi-national level. We employ this definition to characterise a complex export strategy that involves a generally poorly qualified, precarised and flexibilised labour force and is based on three strongly interrelated mechanisms: 1) the assembly and manufacturing sector or *maquila*; 2) disguised *maquila*,<sup>13</sup> and 3) labour migration.

In order to conceptualise the assembly and manufacturing sector better known as *maquila*, we must first take into account its role in the international production system. Assembly plants located in foreign countries supplement manufacturing industries in developed countries via the integration of production chains that globalise design, production and commercialisation while remaining under the control of the matrix. The displacement of operations to plants located in countries like Mexico is stimulated by powerful fiscal incentives, governmental support and, essentially, an

abundance of cheap and docile labour. In other words, what distinguishes the *maquila* industry from the traditional export process is that, from its very beginning, it has constituted a response to strategies employed by US firms, such as General Electric, RAC, Zenith and General Motors, seeking to diminish production costs by employing cheap labour in assembly plants that are usually located in northern Mexico. These operate by relocating the machinery, infrastructure, technology, design and organisational schemes used in the US-based corporations, which they combine with untaxed inputs to operate foreign factories.

An analysis of Mexico's new export profile illustrates the importance of *maquiladoras* and their exports, which increased 28 times between 1982 and 2005 and, during this last year, amounted to over half (\$96.756 million) of manufactured exports (\$174.521 million). On the other hand, the added value of the *maquila* represents an ever decreasing contribution to the sector's total production: in 1990 it amounted to 20% and, by 2003, it had fallen to 8%.

The Mexican manufactured exports industry has another sector that operates similarly to the *maquila* but is not officially classified as such. It encompasses 30% of manufactured exports and is known as *disguised maquila* for the following reasons.<sup>14</sup> First, like the *maquila*, it benefits from the subsidies and fiscal exemptions offered by the Mexican government's temporary imports programme (which, in turn, explains the 84.6% rate attained by Mexican exports in 2004). Second, unlike the *maquila*, its productive system is characterised by greater intensity and technological complexity (the automotive and electronics industries, which are usually under the direction of large transnational US firms, are two prototypical cases). Third, operationally speaking, the *maquila* and *disguised maquila* are linked by intra-firm commerce and outsourcing practices; the resulting commercial relationships comprise between 65% and 75% of imported inputs.<sup>15</sup> Fourth, the *disguised maquila* employs at least 500 000 labourers<sup>16</sup> who, unlike those in the *maquila* sector, are more qualified and specialised, have more consolidated unions and earn at least 50% more money. The *maquila* and *disguised maquila* sectors comprise around 1.5 million jobs (some 30% of total manufacturing employment) with income differences of one to 11 in the case of the *maquila* and one to seven for the *disguised maquila*.<sup>17</sup>

Having taken all this into account, we must now focus on Mexico's real exports through the *maquila* and *disguised maquila* sectors. Given the high import content of both industries (between 80% and 90% of the value of exports), Mexico's gains are limited to wage flows; that is, the value of the labour force participating in the exports sector. This constitutes indirect or disembodied labour force export, a crucial concept that demystifies the supposedly manufacture-based nature of Mexican exports and points to a regression in the export platform. If to this we add direct labour force export via labour migration, the real content of Mexican exports becomes quite clear. This is why we characterise the current export growth model as a cheap labour force export-led model.

We must also point out that the *maquila* production scheme linked to the export of the disembodied labour force does not imply that any portion of

the profit received from these activities remains in Mexico. In the *maquila* transactions prices are artificially fixed by the firms themselves, thereby avoiding the necessity of declaring profits in Mexico. This is how the *maquila* firms transfer net profits outside of Mexico while the jobs are subsidised by the Mexican economy. In fact, the Mexican export model contravenes the notion of the interplay of free market forces and constitutes a pillaging of surpluses that would otherwise invigorate the Mexican economy.

*The generation of vast amounts of surplus population*

The labour force export-led model is sustained by a neoliberal macroeconomic policy that dogmatically pursues economic stability by fighting inflation and public deficit reduction—that is, pro-cyclical macroeconomic instruments which, in a recessive international environment, restrict the possibilities of economic growth.<sup>18</sup> If we take into account that this anti-inflationary policy has been surreptitiously used to contain and diminish the value of the labour force, we will see that the improvement in the working and living conditions of the majority of the population amounts to little in the neoliberal agenda. The resultant production apparatus is characterised by:

- an externally oriented production sector which, despite being at the centre of official policy, does not fulfil its role as a motor of national development and takes advantage of the cheapness of the labour force to decrease its production costs, as in the case of indirect labour force export;
- a declining and disconnected segment of the economy that is focused on the internal market but does not have the capacity to invigorate national economic growth, lacks governmental support and continues to generate employment in increasingly limited and precarious conditions;
- a subsistence sector that responds to the self-generated need to create a labour space in the face of precarious and insufficient formal employment, as is the case of the informal sector;
- a transnationalised labour sector that comprises labour migration and, in the past decade, has been the most dynamic.

Mexican neoliberal policy has effectively cancelled the possibilities for economic growth. During the period that preceded neoliberalism (1941–82), the nation’s gross domestic product (GDP) grew at an annual rate of 6.3%; this rate has fallen to 2.4% with the implementation of neoliberal policies (1983–2005). This low growth rate is the result of the economy’s structural inability to generate enough formal, high quality employment. According to data from the Instituto Mexicano del Seguro Social (Mexican Institute of Social Security—IMSS), formal employment grew at an annual rate of 489 000 jobs between 1991 and 2004. This amounts to 30.19% of the overall increase in Mexico’s economically active population (EAP). Unemployment, underemployment and emigration plague Mexican society: lacking unemployment insurance, an estimated 69.2% of the EAP has been forced to approach the informal sector or the US economy.<sup>19</sup>



The dynamics involving the generation of formal employment are quite erratic. Between 1990 and 1994 (the period preceding the formal implementation of NAFTA) employment generation rose slightly. This trend increased in 1995 and kept on doing so until 2000, when IMSS registered 10.9 million permanent jobs. This period corresponds to the peak of the indirect or disembodied labour force export process, which resulted from occupational growth in the *maquiladora* sector and other exporting industries based in the country. 2000 represents the breaking point, as the amount of jobs in the *maquiladora* sector decreased and labour migration took precedence as a direct form of labour export.

### *The acceleration of migration flows*

Under the labour force export-led model, Mexico–US migration has grown exponentially over the past two decades. This growth has been heightened by the implementation of NAFTA, turning Mexico into the world's major migrant exporter to the USA. The sheer dimension of this phenomenon speaks for itself: in 2007, the US population of Mexican origin—including Mexican-born documented and undocumented migrants, as well as US citizens of Mexican ascendancy—was estimated at 30 million people. It is the world's largest diaspora to be established in a single country. According to UN estimates, during the 1990–95 period Mexico was the country with largest annual number of emigrants (a total of 400 000 people *vis-à-vis* 390 000 from China and 280 000 from India).<sup>20</sup> Between 2000 and 2005 the Mexican annual exodus rose to 560 000. The country has consequently experienced an exponential growth in received remittances and, along with India, is the world's major receiver.<sup>21</sup> In 2006 Mexico received remittances amounted to \$23.7 million.<sup>22</sup>

Practically all of Mexico's territory shows incidence of international migration. In 2000 96.2% of national municipalities experienced some type of migration-related activity. At the same time, even though the Mexican immigrant population in the USA is still concentrated in a handful of states, in the past few years it has expanded throughout most of the national territory. Migration circuits have stretched to the eastern and central-northern areas,<sup>23</sup> which is were some of the most dynamic centres of industrial restructuring are located.<sup>24</sup>

In educational terms 38.9% of the Mexican-born, US-residing population aged 15 and older has a higher education. This number increases to 52.4% when we take into account all the US population of Mexican origin. In contrast, the Mexican average is 27.8%, which means that the country is losing qualified workforce and there is a clear selective trend. Yet, when compared with other immigrant groups in the USA, Mexicans have the lowest overall educational level, which demonstrates Mexico's serious educational lag.<sup>25</sup> In 2006 1.6 million Mexicans residing in the USA had technical or postgraduate education.<sup>26</sup>

There has also been a change in migration patterns, which have moved from circular to established migration and show increased participation on

the part of women and complete families.<sup>27</sup> Even though the evolution of migration flows often leads to established migration, in this case the tendency has been accompanied by a unilateral closing of the border that, in contravention of its goals, has not contained the exodus; rather, given the risks and difficulties of return, it has encouraged new migrants to prolong their stay indefinitely. These changes, and Mexico's decreasing birth rate, have resulted in a growing tendency towards depopulation: between 2000 and 2005, 832 of the nation's 2435 municipalities, or one in every three, had a negative growth rate.<sup>28</sup>

Because of the hemispheric extension of the economic political integration promoted by the US government, Mexico has also become a transit country and must address the concomitant problems. In 2004, nearly 400 000 people moved through the Mexican Southern border; most of them Central American undocumented migrants.<sup>29</sup>

### **Labour insertion of Mexican immigrants**

As has been pointed out previously, Mexico experienced an unprecedented migration flow toward the USA with the implementation of NAFTA, to the point that it became the world's major migrant sender. What matters is that this dynamic and the qualitative changes that accompany it are linked to the role played by Mexican workers, who act as a reserve and source of cheap labour to be employed in the US economy. This function is complemented by a Mexican policy of labour depreciation and precarisation. The productive restructuring led by the US economy has propitiated the reassignment, or spatial and sectorial redistribution, of the labour force on a bi-national level. This process is supported by the transnational precarisation of the labour force, as indicated by factors such as the growing wage gap, longer working days, the dismantling of unions, lack of employment security, and restricted access to social benefits. The transnational labour market has, in fact, affected both the Mexican and US working classes. But it is the Mexican labourers who find themselves in some of the most flexibilised and precarious areas, including outsourcing and day labour. The labour insertion of Mexican immigrants is mostly channelled either towards sectors that operated before the productive restructuring and are characterised by substantial precariousness and social exclusion (eg agriculture, domestic and cleaning services), or towards equally precarised occupational areas that are linked to productive restructuring through a number of branches that feed main sectors, the production of income-goods, and mature industries in the process of being rescued.

Migrants have a growing presence in the construction, manufacturing, services and commerce industries, as well as in tainted sectors that serve as the industry's 'backyards': sweatshops, subcontracting, domestic work, day labour, etc. Despite the relatively minor importance of the sector, the participation of Mexican workers in the agricultural sector is substantial: three out of every four agricultural labourers were born in Mexico. Most of them are undocumented (53%) and there is a strong indigenous and female

presence, which reveals a certain hierarchy and labour diversification. Immigrants' social insertion also differs depending on their migration circuits. It spans transnational exclusion and vulnerability (especially among indigenous immigrants) and an ascending pattern of assimilation for those who belong to the oldest migration circuit, which covers Mexico's central-western region.

Most of the manufacturing activities are centred on basic metal products, machinery and equipment (502 000 Mexican-born workers) sectors on the one hand, and on the food and clothing industries on the other. The first case comprises mature industries that use labour migration as part of a rescue strategy. The second involves income-goods which directly contribute to the general depreciation of the labour force. In 2004, 1.2 million Mexicans worked in the manufacturing sector. Between 1995 and 2005 US manufacturing jobs decreased by 17%, from 17.1 to 14.2 million. Two things are happening: the overall decrease in manufacturing jobs, and the replacement of some sectors by Mexican labourers, which has created a significant labour niche for Mexican workers.<sup>30</sup> If we add the number of workers in the US manufacturing sector (14.2 million) to those who work in the *maquila* (1.2 million) and *disguised maquila* (0.5 million) industries in Mexico, the total is 15.9 million labourers. This means that those Mexican workers who, in a general sense, participate in the US manufacturing industry amount to 2.9 million (18% of the total labour force). That is one in every five workers.

By replacing better paid, more experienced and unionised workers (usually US citizens), the Mexican labour force diminishes labour costs and increases global competitiveness. Mexican workers receive the lowest wages when compared with the native population and all other immigrants. On the other hand, the wage disparities in the manufacturing industry illustrate the asymmetries between the Mexican and US economies: in Mexico the hourly wage for a manufacturing job is \$2.57, while in the USA the formal employment rate is \$16.45. In the case of undocumented immigrants (a substantial number of Mexican workers), hourly wages drop to \$5. Even though this amount double the average Mexican wage, it still constitutes a form of extreme precarisation. Most jobs involve low qualifications, low wages, limited or inexistent benefits, instability, unilateral and informal (or authoritarian) work relations, risks, and illegal abuse on the part of employers (eg wages below the legal minimum, unjustified layoffs, lack of disbursement for additional hours). In addition to the segmentation and precarisation of labour markets, the differentiated insertion and degrees of assimilation among the immigrant population can lead to instances of translational exclusion and vulnerability that affect both the second and third generations. This process is tied to the dominant trend in the US labour market, which seeks to replace permanent workers with temporary ones.

Two macrostructural elements at the base of labour transnationalisation help propel massive migration: productive internationalisation both disintegrates and complements the intra- and inter-industrial productive chain while affecting the bi-national labour market; additional demographic factors such as an ageing US population and a younger Mexican populace encourage

Mexican flow to the USA. The productive restructuring, in short, is supplemented by changing demographic patterns.

By losing its labour force to this massive exodus Mexico is also losing one of its most valuable resources in the accumulation process. The direct exportation of workers represents a drain on human resources that, in turn, leads to the abandonment of productive activities, represents a waste of resources spent on the formation of the emigrating labour force and, to an extent, causes the displacement of relatively qualified labour and the consequent weakening of labour sovereignty. Overall this drain represents a loss of potential wealth. According to Ruiz Durán, migrant Mexican workers contribute 8.1% of the USA's GDP; at the same time, they cease to contribute 27.4% to Mexico's own GDP, a significant loss in the Mexican accumulation process.<sup>31</sup>

As the income distribution gap increases in the USA, Mexican immigrants are often subject to labour precarisation and social exclusion:

- Most Mexican immigrants live in substandard conditions, confined to dilapidated and segregated neighbourhoods while their children face discrimination in public schools.<sup>32</sup>
- Most Mexican immigrants receive the lowest wages and have the highest poverty rate among the immigrant and native population.
- Despite their contributions to the US economy, Mexican immigrants have the most limited access to health services in the nation. In 2006 54.1% of them lacked health insurance.<sup>33</sup>

The persistent socioeconomic deterioration of first, second and subsequent generations of Mexican immigrants has shut the door on social mobility. Mexicans have relatively high levels of lumpenisation and incarceration, which affect US society in general. In addition, their political and electoral participation is the lowest among all immigrant groups.

### **The implications and paradoxes of regional integration**

It is evident that the promises made by the promoters of regional integration have only benefited a small segment of the Mexican and US elites, particularly the latter. This reveals the policy's true purpose and explains why its supporters continue to brag about the success of the restructuring strategy and the regional integration scheme.

The following is a brief summary of the effects this process has had on the Mexican economy and society, which have been the most affected.

First, disaccumulation processes have been generated in the Mexican economy. The indirect export of labour via the *maquila* and *disguised maquila* industries implies a transfer of net profits to the US economy. This constitutes a new mode of dependency that is even more acute than those examined in the structuralist and dependency theories previously endorsed by the Economic Commission for Latin America and the Caribbean (ECLAC).

Second, there has been a loss of a labour force whose formation costs fall on the national economy. Mexican labour migration represents a drain of

valuable human resources which, in turn, leads to the neglect of productive activities, constitutes a waste of resources spent on the formation of the emigrating labour force, and, to an extent, the displacement of relatively qualified workforce.

Third, a substantial part of the Mexican production apparatus has been dismantled. Economic regional integration and the implementation of the current export model have contributed to the progressive dismantling of the internally focused production apparatus, which plays an irrelevant role in the neoliberal agenda. There is evidence that at least 40 production chains in the in the small and medium-sized business sector have been destroyed after the implacable reorientation of the economy towards the external market.<sup>34</sup>

Fourth, there has been a reduction and precarisation of high-quality formal employment. Neoliberal policies have failed to create high-quality formal employment; rather, they have destroyed employment sources and increased precarisation and flexibilisation in the current formal job market. In the absence of benefits such as unemployment insurance, the informal sector is a source of precarious subsistence for large sectors of the population who have been excluded from the formal job market. The informal employment sector comprises a large population which lives at subsistence level and serves as a labour reserve that further depreciates labour costs both in Mexico and the USA. Paradoxically the informal sector (a sort of safety net for the Mexican labour market) and migrants' remittances have breathed artificial life into a development model that exacerbates social inequalities and damages the country's productive activities.

In order to bring this section to a close, we wish to point out that the labour force export-led model on which the Mexico–USA migration process is based involves two paradoxes that point to the unsustainable nature of the present scheme of economic integration.

First, economic integration under NAFTA does not promote equal degrees of development between Mexico and the USA; rather, it has contributed to the deepening of asymmetries between the two nations. While, in 1994, the US per capita GDP was 2.6 times higher than the Mexican, in 2004 the gap had grown to 2.9. In 1994, US manufacturing wages were 5.7 times higher than in Mexico; in 2004 the difference was 6.8. Paradoxically this growing income gap does not mirror productivity levels, which have declined. In fact, Mexico has shown more productivity in certain sectors, particularly those related to the labour force export-led model.

Second, economic integration has not encouraged the creation of job opportunities in Mexico; rather, it has become a motor for the direct export of the labour force and increased socioeconomic dependence on remittances. According to official data, remittance reception in Mexico has increased thirty-fold. On a macroeconomic level remittances are the second source of foreign currency and the one with the most consistent growth rate, given the relative loss of importance of other sources of external financing (eg FDI and manufactured exports). At a microeconomic level, remittances support family consumption and ensure the subsistence of 1.6 million homes.<sup>35</sup> To a

lesser extent they serve to fund public works and productive investments through programs such as *Tres por Uno* (Three for One).

Having taken all this into account, it is possible to assert that migration unintentionally operates as a crucial cog in the neoliberal machinery, providing it with an appearance of ‘stability’ and, paradoxically, a ‘human face’. At a macroeconomic level remittances serve to extend the life of a development model that is already showing signs of unsustainability. At a microeconomic level they help ease poverty and marginalisation inasmuch as they involve a transfer of resources that lack any solid ties to savings strategies but improve productive capacity and economic growth.

### **Lessons on capitalist restructuring, labour migration and social transformation**

Capitalist restructuring results in forced migration toward developed nations. In the current neoliberal system developed countries have deployed a restructuring strategy that, besides internationalising production, commercial and financial processes, appropriates the natural resources, economic surpluses and cheap labour force of underdeveloped nations. This type of relationship between central and peripheral and postcolonial nations deepens the latter’s conditions of underdevelopment. Underdeveloped countries produce redundant population reserves that are unable to find labour conditions that allow for personal and family development in their own nations. This is a result of diminished accumulation processes brought about by the asymmetrical relationships established between developed and underdeveloped countries, which evolve into different forms of surplus transference. These unsustainable social conditions lead to forced migration, which we understand as a population flow derived from the lack of adequate living and working conditions or political or social conflicts that threaten the population’s life. In some cases the exacerbation of forced migration can result in relative or sometimes absolute depopulation in places of origin. The loss of qualified and unqualified labour force also leads to the abandonment of productive activities and the loss of potential wealth.

Further, migrants contribute to the process of capitalist restructuring in the receiving country. Developed countries require large amounts of cheap, qualified and unqualified labour force; in fact, lack of proper documentation increases the vulnerability and further reduces the value of this human merchandise. This demand responds to 1) an increased accumulation capacity brought about the transfer of resources and surpluses from underdeveloped countries; and 2) processes of demographic transition and an ageing population. Immigrants contribute to the general depreciation of the labour force: they participate in sectors that are work-intensive, generate income-goods, or are in the process of being rescued; they also supplant workers who receive higher rates and receive better benefits. Although qualified immigrant workers are part of a ‘labour elite’, they are still relatively cheaper than equally qualified nationals. Both qualified and unqualified migrants greatly benefit the receiving country, which has not

spent any resources on their training or education. Migration, then, is a transfer of cheap labour as well as of formation expenses. This gives receiving nations a static comparative advantage derived from the reduction of production costs at the same time that it provides dynamic comparative advantages derived from immigrants' participation in the acceleration of innovation processes. Overall immigrant workers and their families contribute to the strengthening of the receiving nation's internal market through consumption. Even the so-called nostalgia market represents a growing consumer sector that fortifies internal economic activity. Immigrants pay taxes but do not receive the same benefits or have access to the same public services, which denotes a criterion of social exclusion. In addition to all this, immigrant contributions are helping settle the acute pension problem caused by the massive retirement of the baby boomer generation. Even if these contributions compensate for some of the consequences that the dismantling of the welfare state has had on developed economies, they clearly do not constitute a permanent solution.

Migrants also help sustain precarious socioeconomic stability in countries of origin. A fraction of migrants' wages is allocated towards monthly remittances that ensure the subsistence of family members in countries of origin.<sup>36</sup> To a lesser extent remittances help finance small establishments in a subsistence economy. Migrant organisations collect resources that are channelled towards public works and social projects in communities of origin. In Mexico this practice has been institutionalised through the Three for One (*Tres por Uno*) programme, which has been replicated in other countries. A small amount of migrants who have accumulated savings or are entrepreneurs use their resources to finance microprojects in their communities of origin. However, wage-based remittances meant for family consumption are the most important type, which demonstrates that the resources sent by migrants are not part of a development processes geared toward social transformation. On a macroeconomic level, remittances benefit neoliberal governments that use them as a source of foreign currency to sustain their frail 'macroeconomic stability' instead of promoting real development alternatives. Remittances have even been used as guarantees when soliciting foreign aid. In the absence of a real development project, migrants have been lauded as the 'heroes of development', which means they are held accountable for promoting progress in a situation where the state, claiming minimal interference, declines to take responsibility. In the absence of a development project that involves migrants and other social sectors and propels actual processes of social transformation, neoliberal fundamentalism kowtows to market forces. Ultimately underdeveloped countries continue to function as labour reserves. Real possibilities of development are deliberately obstructed in order to benefit increasingly small national elites, which in turn associate with the even more exclusive elites in developed countries, led by US capital.

If used as a tool of social transformation, development could curtail forced migration. Even though neoliberal and pro-globalisation discourses maintain their economic system's inevitability, we must theoretically and pragmatically assert the viability of alternative processes of development on a variety of

levels. We must begin by redefining the terms under which developed countries subject underdeveloped ones to an asymmetric set of relationships based on a series of principles that have been turned into fetishes and include democracy, freedom and free trade. This involves examining imperialist practices that increase inequality, marginalisation, poverty, social exclusion and unfettered migration. Neoliberal governments assume that migration is an inevitable process and are content to make use of remittances until they reach a breaking point. A project of real social transformation must include the participation of migrants and non-migrants alike, and do more than curtail forced migration: it must also reverse the processes of social degradation that characterise underdevelopment and go so far as to endanger human existence.<sup>37</sup>

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