

Chapter 29

Labour in a Time of Transition: Labour and Political Changes in Venezuela

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1. INTRODUCTION

This paper is intended to contribute to the ongoing analysis of labour studies in Venezuela. In the first nine years of the government of Hugo Chávez, there have been developments of great significance in this field of economic, political and social life. From the beginning the new government emphasized its break with the previous regime, that was in power the beginning of the longest period of democracy in the history of the country in 1958, until 1998, when Chávez won his first presidential election.

New measures have been taken, but there is a need to distinguish those that are really new from those that simply have a new appearance, particularly in the oil industry. The importance of the oil industry in Venezuela dates back to the early decades of the twentieth century, when for the first time foreign currency earnings from oil exports exceeded those from the export of coffee, which had been the main source of income for several decades. Eight decades later, dependence on the oil economy persists.

Oil exploration was initially under the control of Anglo-Dutch companies, and then in the mid-1930s US companies began to play a leading role in production. Until the mid-1970s the government exploited the oil fields by issuing operating

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licenses to the multinational companies. Then in 1976 the State nationalized the industry, taking advantage of the income generated by the rise in oil prices. Previously the State received taxes and royalties from oil companies, but now also profits from the State monopoly.

Recent years have been characterized by extreme instability and political conflict, with the dismissal of more than 20,000 workers in the oil sector, which has seriously affected production. However, the relative importance of the oil economy has increased due to the lack of other exports, and the decline of the tiny industrial sector. As the price of oil has risen, oil revenues have compensated for the lack of competitiveness of the rest of the economy. When the Chávez government took power in February 1999 the price of oil was about USD 10 a barrel, nine years later it was more than USD 100. Although production has fallen from 3.4 million barrels a day to only 2.5 million, the price rise has more than offset this fall in production.

2. LABOUR RELATIONS IN VENEZUELA

The management of labour relations has historically been characterized by strong State intervention, with a minor role played by management and the unions. A key factor has been the lack of diversification in the economy, with the exception perhaps of the construction industry. However, labour relations are not entirely centralized, and there is some plant-level bargaining.

Another important part of the title of this paper is the reference to a time of transition. Venezuelan history is characterized by the end of *gomecismo* (a long period of authoritarianism) in the mid-1930s, and the beginning of representative democracy at the end of the 1950s. Now at the end of the twentieth and the beginning of the twenty-first century we are again in a time of transition, the so-called 'Bolivarian revolution'.

In this paper it is argued that until recently labour relations were in a period of stagnation. The advent of representative democracy in 1958 gave a stimulus to the promotion of labour institutions, especially the promotion of workers' organizations and the establishment of collective relations with employers, but then came a period of gradual decline. Labour relations are part of the institutional fabric of a country, and are tied to its political and economic development. They are influenced by the political environment in which they develop, as well as by economical and social factors. The period of stagnation continued until the implosion of 1989, when the country revealed a fracture that had until then been concealed. This was the *caracazo* or *sacudón*, an event in major cities in the centre of the country, with an uprising that resulted in looting, later savagely repressed by the army.

Labour relations are central to the whole of society and a major issue is justice and fairness in relations between the key players, capital and labour. In this connection academics, practitioners, scholars, social actors and the social partners have put forward an extensive amount of analysis. In Venezuela labour relations

are based on a general consensus, and this has been the basis for the development of representative democracy and industrial restructuring. However, it is important to highlight the weakness of representative democracy¹ and the failure of the import-substitution strategy. Also it is evident that industrial relations are not an autonomous area in the development of a given society, but depend on the prevailing political and economic conditions (Lucena, 2004).

With the decline of import-substitution policies in the 1980s and 1990s, local elites in alliance with international capital attempted to redesign development policies oriented towards neoliberal schemes, under the dictates of the Washington consensus. In the same period, unions were losing ground and on the defensive, responding to proposals by employers and governments, sometimes in partnership and on other occasions independent of each other. Events were moving at a fast pace and unions lost ground and influence. Poverty and inequality grew disproportionately. A prolonged period of declining consensus, together with weak representation, led to a sense of disappointment. Labour relations were losing their capacity for inclusion, and failing to make any progress in building a Latin American welfare state.

Tripartism has been losing ground in Venezuela in recent years. Since 1998, when Chávez won his first presidential election, entrepreneurship and labour unions have been treated with suspicion and mistrust. It is not surprising, given the existence of a large segment of the population working in the informal market and therefore not well organized, and unrepresented by these organizations. As a result, relations with stakeholders in the world of work have diversified, and are no longer focused on the classic tripartite actors, government, trade union leaders and employers. Now other actors are emerging in the world of work, for example cooperatives and small entrepreneurs, those on various welfare programs funded by the government, retirees and pensioners, but in any case there is a lack of institutions for consultation and dialogue on major issues in the field of labour relations.

3. LABOUR RELATIONS AND INEQUALITY

We have argued that the construction of labour relations is a historical process, with developments in the most dynamic productive sectors that then spread to other productive activities. In Latin America there are extensive marginalized sectors where labour relations institutions are totally non-existent, with consequences for many sectors of production. This is consistent with the phenomenon of prevailing inequality. Latin America is characterized by some of the highest levels of inequality in the world (Faletto, 1989; Uthoff, 2004). The strengthening of labour relations would lead to a reduction in inequality, by promoting participation, and the redistribution of wealth. In public policies that foster social development, the role of

1. Democracy in Latin America, 2004, UNDP Studies under the direction of Dante Caputo. This study points a tendency on the part of the majority of the population of several Latin American countries to sacrifice democracy in exchange for better living standards.

labour relations is strategic. Hence the importance of promoting workers' organizations and relations between the social actors while encouraging workplace participation.

In Latin America in the twentieth century a model of development was consolidated that tended to standardize countries, mainly as producers and exporters of raw materials and products of limited value. Countries in the region may be classified as follows:

- (1) exporters of few products (predominantly raw materials) to few markets;
- (2) exporters of few products (predominantly raw materials) to various markets;
- (3) exporters of various products to few markets;
- (4) exporters of various products to various markets.

Venezuela appears to belong to the first category, giving rise to vulnerability due to the predominant role of the oil industry. However, with regard to oil exports, it is important to clarify three points:

- (1) The importance of the oil industry, the relation between production costs and prices on the world market, even at the lowest levels, leads to huge profits. The twenty-first century has begun with higher prices for this finite energy resource, and international capital is uniquely positioned in various parts of the business.
- (2) In the oil industry, the strategy of internationalization plays a crucial role. Venezuela has been producing oil for nearly a century, and since the 1980s and 1990s it has been able to implement a strategy of internationalization which promotes stability for the business in which Venezuelan state-owned enterprises operate. It has its own refineries in the United States, the Caribbean and Europe. In the past two years, it has refocused its oil policy, favouring Latin America and the Caribbean, Asia and Africa.
- (3) The oil business has a key political component. Due to its strategic role in the economy, and due to the fact that the largest reserves are not located in countries with the highest consumption, there is an interaction of instability and wealth, which contributes to a host of contradictions and institutional weaknesses. Venezuela is an expression of this phenomenon. In this connection it is significant that one of the founders of Organization of Petroleum-Exporting Countries (OPEC), the former minister Juan Pablo Pérez Alfonso, called the product 'the devil's excrement'. Another key concept is that of analysts such as Terry Karl who speak of '*petroestados*' (1997).

Innovation in Venezuela tends to take place first in the oil industry and then to spread into other productive sectors and regions that are gradually modernized. For example, at the end of the 1940s, iron ore deposits were developed in the area of Guyana, with the transfer of oil labour practices. This phenomenon is to be found at regional level, in the development boom that began in the 1960s and continued into the following decades, for the purposes of industrial restructuring. This extension and generalization has strengths and weaknesses. The key development is the

recognition of the trade unions, following an initial refusal on the part of the employers, and this opens the way to collective bargaining for the improvement of working conditions.

The general extension of labour practices from the oil and iron ore enclaves to other productive sectors in the country may be interpreted in two ways. In the oil industry or iron ore enclave or company town, the company takes control not only of production and the management of the oil field, but also of social services, education, health, sports, culture and even religion. During the period in which companies were granted concessions (oil operating licenses), the transnational corporations constituted a 'state within the state'. This produced favourable conditions for control and social ideology, but with the contradictions of extreme exploitation, resulting in a polarized labour force between class-oriented workers on the one hand, and integrated workers on the other. A privileged status was granted to non-manual or white-collar workers. This fostered and sharpened artificial divisions between different segments of the workforce. The result was that in the end the organization of workers focused on collective action predominantly by manual workers. For decades in Venezuela unionization was synonymous with manual workers. It was only in the 1970s, with the unionization of education and other public services, that unionization began to extend to a broader category of workers.²

Another issue is that of the limited extent of worker participation in management decision-making. From the very beginning a high level of control was imposed in the oil industry, to exclude workers from decision-making. The level of income generated by the oil industry made it feasible to meet economic demands with restricted employee involvement. This exacerbated the alienation of workers, and helps to explain the nationalist movement of the political elites that resulted in the nationalization of 1976, which was not accompanied by militancy on the part of the oil workers (Lucena, 1979). As this trade unionism had considerable influence on other productive activities that developed later, it is important to underline the limited role of worker participation.

With regard to the development of labour relations in Venezuela in the second half of the twentieth century, the historical records reveal a lack of participation in the management. The pattern established in the petroleum industry promoted a sharp separation between industrial action and business management.

4. REGIONALLY WHAT IS THE PROBLEM?

The Latin American political map has changed substantially in recent years. In some cases left-wing movements have come to power and are in government. In other cases, although these movements have not taken control of government,

2. (4)One of the oldest trade union organizations in the country is the Venezuelan Federation of Teachers, founded in 1939. Until the 1960s it played a minor role, but under the first government of Rafael Caldera, it mobilized its affiliates and concluded the first collective agreement in this sector.

there have been elections in which new forces seriously challenged the power of the traditional elites. This leads us to say that the political map of the region has changed significantly. In this new map we observe new players: although not all of them are really new, what is striking is the role and strength they have acquired. Social movements have emerged that represent the weakest and most marginalized sectors of society, due to their weak position in the labour market, and to their low standard of living and level of consumption (Zibechi, 2005). These categories have been present in socio-political developments in the region, but in recent years there has been an emergence of movements that have pressed their demands as never before.

The import-substitution model of development excluded the social sectors that survived in traditional economic activities. The model provided benefits for the insiders, those with a job who enjoyed reasonable conditions of work and life, but when neoliberal policies were implemented to reorient the development model, the processes of marginalization and exclusion acquired a new impetus. Increasingly, young people do not manage to enter formal employment and therefore fail to become actors in the labour relations institutions (Castel, 1997; Recio, 2004).

In the context of neoliberal policies the economic model has been redesigned in some countries more than in others, but in any event in the 1980s and 1990s these policies spread throughout the region. Satisfactory results were achieved in some areas,³ but the overall economic situation led to unstable social and political environments. There has been a general move towards democracy and popular participation, but the risk of authoritarian and undemocratic practices persists. However, the concept of representative democracy gained a renewed status with the approval of the Inter-American Democratic Charter, 5 June 2001, with the aim of promoting and consolidating representative democracy as the system of government in all American states (Ortiz, 2006:59).

The challenges arising from economic and political developments have given rise to protests that have been widespread, making governance an increasingly complex task. The protests no longer focus on trade union movements, but on a wide spectrum of social forces, as discussed below. In the following discussion the focus will be on the Venezuelan case, characterized by a radical trend that is also to be seen in Bolivia, Ecuador and Nicaragua.

5. THE COMMITMENT TO INCLUSION AND INTEGRATION

The aspiration of most workers is to find a job that provides the conditions for personal and vocational development, and an income necessary for at least a

3. Sectors that enjoy competitive advantages have been the beneficiaries, but there is a need for social policies for the vast majority of productive sectors that cannot compete with the flood of imports. In this regard, there has been a lack of government policies in some countries in the region, and therefore a lack of social policies, resulting in reactions from the most affected sectors.

minimum standard of welfare. But not every kind of job is effective in this respect, because for centuries there has been slavery and forced labour. Forced labour is defined by Roger Plant (ILO, 2005) as follows: ‘Service is required under the threat of punishment and takes place on an involuntary basis. It is different from slavery, in which one person is owned by another.’ According to this source, the world has more than 12 million workers in this situation, and the Latin American and Caribbean region, 1,320,000 people. But even more widespread is the phenomenon of precarious jobs and the people who do not have a job or stable employment, enabling them to lead a dignified life (Cano, 2004; IDB, 2004).

6. WHAT HAPPENS WHEN LABOUR RELATIONS INSTITUTIONS REPRESENT FEWER AND FEWER PEOPLE?

Here we refer to the issue of inclusion and exclusion.⁴ The phenomenon of exclusion is a key concern in Latin American societies, that have industrial relations institutions that are incapable of dealing with changes in production systems. Labour relations institutions emerged in response to problems in the mining and manufacturing sectors. This is a particular phenomenon in Venezuelan society: in general we can say that modernization brought a paradigm which says: let’s became industrialized because that is the path of progress. In today’s economy the service sector is more and more important, but Venezuela is still heavily reliant on the oil industry.

With economic development under the policy of import substitution, tripartism played an important role under state ownership, and trade unions were aligned with the development policies promoted by the State and big business. Then neoliberal tripartism suffered the consequences of the withdrawal of the state and the weakening of the trade union movement.

7. THE ESSENTIAL CONDITION FOR INDUSTRIAL RELATIONS: THE EXISTENCE OF JOBS

Job creation has become a key objective in the life of societies. Salaried employment has been the *leitmotiv* of the entire development agenda, with job creation seen as promoting development, production, progress, prosperity. But job creation has become difficult. The ILO Director-General Juan Somavia, popularized the

4. It should be borne in mind that exclusion from labour relations leads us to consider other social issues that are not mentioned here, such as the struggles ecological fighters, sexual liberation, landless indigenous populations or those with no access to credit and production facilities (Novick, 2001:30). William Perry (2000) describes exclusion at three levels: (1) the lack of access to basic goods and services, (2) the difficulty in access to labour markets and social protection and (3) unequal access to and enjoyment of human rights, political and civil rights.

term 'decent work', thereby identifying a number of themes expressed in conventions, which give concrete meaning to the concept of decent work. This is the abolition of forced labour, child labour, ensuring that there is no discrimination during access to employment, the effective functioning of the freedom of association, and collective negotiation of the terms of employment.

In this connection there is a debate about whether labour market policy should serve those who already have jobs, or eliminate barriers to the creation of new jobs (Bolle, 2001; Freije, Betancourt, Marquéz, 1995). This concern about the creation of jobs goes hand-in-hand with the question of the quality of jobs. This can mean both quality jobs on the one hand and on the other hand precarious jobs.

Since the 1980s this type of work has increased. ILO studies in the 1980s and 1990s showed that eight out of every ten jobs created in Latin America have these traits (ILO, 2001). The researchers Iranzo and Richter (2005) identified in the title of their book '*La subcontratación laboral. Bomba de tiempo contra la paz social*' the outsourcing that characterizes the organization of work today. In their view outsourcing tends to eliminate jobs in the better-paying sectors and companies. In their investigation Roche, Richter and Perez (2002) showed that happens in this sector of the labour market where people often do not have access to labour courts, because their employment status does not allow them to achieve a minimum of stability: clearly a problem not confined to Latin America.

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