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Focus: A lesson from Uruguay: Alternatives to Neoliberalism?

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# A lesson from Uruguay: Alternatives to Neoliberalism?

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On 1 March 2015, José Mujica -better known as 'El Pepe'- concluded his five-year term as President of the Eastern Republic of Uruguay passing on the baton to his successor, Tabaré Vázquez. Vázquez was formerly Uruguay's President between 2005 and 2010, and both men belong to the *Frente Amplio* (FA, Broad Front) - the coalition that brings together the different factions of the Uruguayan left. The handover took place in Independence Square, in Montevideo, with the presence of several foreign Heads of State and diplomats. A crowd of citizens warmly praised Mujica - now a Senator - loudly chanting his nickname. During his mandate, Mujica has been applauded at home and abroad for bringing together his genuine minimalism with a radical speech without ever falling into populism, as has happened to some other progressive Latin-American leaders.

After having won the presidential elections in 2009, Mujica has attended to combining growth and redistribution, and creating, at the same time, new spaces of freedom, rights and tolerance. Among the more controversial measures, the State regulation of production and sale of marijuana, in order to combat drug-trafficking and promote greater awareness of its risks, is notable. It will also move about US\$ 30 million from traffickers to the government and it will create, in the coming years, about a thousand new jobs and public investment in education and health. It is also worth mentioning the decriminalisation of abortion which puts an end to the tragic practice of abortions performed clandestinely; legalisation of marriage and adoption by same-sex couples; and the reception of six former Guantanamo detainees that spent long years in prison in inhuman conditions.

In particular, Mujica's term in office has seen a raft of legislative measures that have led to a more effective fight against poverty and inequality, to the creation of new and decent work, the formalisation of employment, the increase of the minimum wage and a progressive and equitable change in the tax system. These results were achieved thanks to a frank and open dialogue with society, and in particular with the active contribute of workers, trade unions, student movements, feminists and pro-rights organisations. As a result, Uruguay scored exceptionally on the International Trade Union Confederation's (ITUC) 2015 Global Rights Index, which shows the world's worst countries for workers by rating 141 countries based on the degree of respect for workers' rights. There are only five countries all over the world in which rights violations *were addressed peacefully through negotiations without any form of retaliation and abuse against workers raising these violations*: four of them are in Europe (Norway, Finland, the Netherlands and Austria); the other is Uruguay.

## Left-wing rise to power and trade unionism in Uruguay

Uruguayan trade unionism started in the second half of the 19th century with the typically anarchist tendencies of that time. Later, unionism has also been influenced by other ideologies such as Marxist, socialist, etc. Within a rich history, full of workers' struggles and efforts to keep the movement united, trade unionists debated and adopted various forms of organisation until merging into a single labour organisation called *Convención Nacional de Trabajadores* (CNT, Workers' National Convention) during the mid-Sixties.

At the time, Uruguay was emerging from a long period of economic stagnation, which began in the mid-Fifties, and social and political organisations were getting stronger and developing a protest movement. Mujica and other revolutionaries formed the *Movimiento de Liberación Nacional* (MLN, National Liberation Movement), also known as the Tupamaros, at the beginning of the 1960s taking inspiration from the Cuban revolution.

While there was an increasing conflict particularly between guerrillas and government, the left parties began an alliance process that culminated in the formation of a coalition of the *Frente Amplio* in 1971. Indeed, Tupamaros actions reached its peak between the end of the '60s and the beginning of the 1970s, before they were defeated militarily in 1972. The armed forces reacted to this context of high social and political conflict with a coup d'état in the 1973 that lasted until 1985.

The failure of the revolutionary struggle, together with the long period of imprisonment and exile of MLN leaders, led the organisation to a deep criticism of armed struggle. Mujica spent 14 years in jail as one of the 'nine hostages' - the prisoners that the Uruguayan dictatorship threatened to execute if the guerrillas still at large committed any kind of act in the country. During the dictatorship, the CNT was banned and its leaders and activists were detained, tortured, forced into exile or went missing. Uruguayan militaries in power - like the others in Latin America - made a strong repression of any kind of political and social opposition.

In 1981 the Professional Associations Law (no. 15137) was approved by the military dictatorship, which allowed firstly the creation of workers' associations in the factories or in the workplace, as well as second level associations by occupational category, and third level associations on a national scale. That legislation permitted the CNT, which was persecuted under the dictatorship and had been working underground, to ask for the authorisation of the constitution of the



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*Plenario Intersindical de Trabajadores* (PIT, Inter-Union Assembly of Workers)

When democracy was restored in Uruguay in 1985, political prisoners were freed and exiled people came back home. The Uruguayan trade union centre got the denomination of PIT-CNT, which it retains today, and its motto became '*un solo movimiento sindical*' [a single trade union movement]. Meanwhile, the *Tuparamos* decided to abandon armed struggle and enter the political arena legally, joining the *Frente Amplio* in 1989.

With a solid democracy and the new trajectory, the *Frente Amplio* came to power for the first time in the Uruguayan history in 2005. From that moment, there were the conditions to create new unions, to increase the workers affiliation (estimated in 2006 at 240,000), and to reintroduce sectorial-level collective bargaining by the tripartite body called *Consejos de Salarios* (Wages Councils).

The legislative framework improved significantly in 2009 when the Government introduced the Collective Bargaining Law (no. 18566). This legislation allowed reorganising the bargaining units to enable social partners to request the government to convene the *Consejos de Salarios* if workers' and employers' organisations failed to reach an agreement by themselves. It aimed also to expand the coverage to those workers that have been traditionally excluded, such as rural and domestic workers and homeworkers. Indeed, including new sectors that once were excluded helped to narrow the gender income gap – given that there is a high female participation in those sectors – and to decrease informality of employment through collective bargaining processes.

According to the International Labour Organisation (ILO) 2014 Report 'Developing with Jobs', union density in Uruguay is around 30 percent, one of the highest rates in South American, after Argentina. Meanwhile, according to the ILO 'Social Dialogue Indicators', published in November 2011, 89 percent of wage earners in private sector are covered by collective agreements.

Nowadays, the Uruguayan central labour organisation represents around 400,000 workers and has more than 70 affiliated unions. On June 15th-18th 2015, the XII National Congress of PIT-CNT was celebrated with more than one thousand delegates from all over the country that debated on three fundamental matters: the international situation, the national condition and the union strategies for the following years.

Also the current Uruguay's President Tabaré Vázquez participated at the Congress. According to the PIT-CNT leader Fernando Pereira, the presidential presence at workers' congress for the first time signifies the recognition of the trade union movement's role.

## Social and economic impact

All the indicators of the various international and regional organisations confirm the good health of economics and the social progress in Uruguay.

Even with the negative effects of the global crisis, Uruguay's GDP – according to the International Monetary Fund (IMF) – grew in 2010 by 8.4 percent, dropping to 2.8 percent in 2014. The same percentage would be expected for 2015, while new growth is expected for 2016. According to the World Bank data, per capita GDP has risen from US \$11,530 in 2010 to US \$16,350 in 2013. Hence, in that year Uruguay has been ranked by the same

institution as a high-income country for the first time in its history.

The ILO underlined in its 2013 'World of Work Report' that Uruguay is one of the Latin America countries that has exceeded the pre-crisis employment rates and where there has been substantial increase in the real minimum wage. Indeed, in Uruguay there has been a political decision taken to give strategic importance to the *Salario Mínimo Nacional* (SMN, National Minimum Wage), which has risen from around US\$ 245 in 2010 to over US \$400 in 2015, benefiting unskilled workers and those sectors with lower wages (domestic and rural workers, etc.).

According to the *Instituto Nacional de Estadística* (INE, National Institute of Statistics) the unemployment rate in 2010 was 7.2 percent, slowly dropping to 6.6 percent in 2014. In the first quarter of 2015, the rate has reached 7.0 percent. The inflation rate was 6.93 percent in 2010, rising to 8.26 percent in 2014; the expected inflation for 2015 is 8.28 percent - higher than the target 3 percent-7 percent set by the Central Bank of Uruguay (BCU), but still under control. The 2014 edition of Social Panorama of Latin America published by the Economic Commission for Latin America and the Caribbean (ECLAC) shows that in 2013 the 5.7 percent of the population of Uruguay were living in poverty and 0.9 percent living in indigence. These are the lowest percentages for the Latin American region.

## A lesson to be learnt

In Uruguay – even with respect to due differences under the presidencies of Vázquez and Mujica – an alternative development model has been applied which is based on the active role of the State in politics, in the economy and in society, and an increasing attention to public social spending. From the beginning of his presidency, Mujica set a strong emphasis on economic and social policies as the tools to tackle poverty and inequality, and to promote universal public programmes focused on jobs, housing, education and health. These public policies have been implemented with an inclusive approach and the reforms carried out have prioritised the most vulnerable social sectors.

In other words, the State has played a significant key role, and one which is diametrically opposed to that advocated by supporters of neoliberal orthodoxy. In contrast, the minimum or neutral State that this orthodoxy advocates has produced, and continues to produce, widespread damage elsewhere in Latin America. Uruguay's critical view of the neoliberal economic model has been matched with a coherent public policy that allowed combining growth with distribution, progress in the domestic market, higher consideration for pay policy and employment. Mujica's government has been able to overthrow this neoliberal logic by inaugurating a new season of growth focused on work, equality and social inclusion. All of its achievements have been reached, including the new citizenship rights, through developing the capacity to listen to and stay in touch with social, political and economic organisations.

Uruguay is empirical proof that is possible to refute the neoliberal ideology handed down by the International Financial Institutions (IFIs), which impose growth first and distribution later, and which prioritises inflation before employment. We should learn a lot from this Uruguayan experience.

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