A1 More Unequal, More Informal, but also More Full-Time: Comparing Mexican and U.S. Retail Jobs

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This book's central premise is that retail jobs can differ greatly in nature and quality, and that understanding what drives these divergences can help us devise ways to improve retail jobs in the United States. In chapters 3-6, we made this case by tracing systematic variations across retail jobs in the United States, and by analyzing differences between U.S. retail employment and that in several other rich countries. Within the United States, where a relatively uniform institutional environment prevails, economic differences between subsectors and divergences in corporate strategy dominate variation, though certain institutional differences, such as unionization or distinct regional land use regimes, also matter. In cross-national comparisons with European counterparts, institutional differences (in labor and product market regulation and reproductive institutions) loom largest. In developing the US-Europe comparisons, we incorporated the notion of a *national-sectoral effect*, the way that national differences play out *as mediated by the characteristics and dynamics of a particular sector*. But what can we learn about national differences and national-sectoral effects—and thus possible alternative jobs paths for the United States—if we go beyond the narrow economic band populated by the United States, Europe, and a small number of other rich countries?

We tackle this question by looking south to Mexico. The country, though the United States' next door neighbor and linked by close economic ties, has a GDP per capita only 32 percent of the U.S. level based on purchasing power parity (19 percent using exchange rates)—far poorer than any of the countries considered in the body of the volume, though middle-income by global standards.[1] One might expect this economic gap to overshadow other factors differentiating retail jobs. This is only partly true. Mexico's retail sector does include a very large informal component—that is, unregistered enterprises—that commands attention. This much larger informal footprint results in part from the economic disparity between Mexico and the United States, but stems more directly from other differences in market structure. And the two countries' *formal* retail sectors are in some ways strikingly *similar*—both dominated by the same company, Wal-Mart, and by the same retail formats—but also turn out to differ in important ways that are very much shaped by institutional differences rather than overall economic level.

In this chapter, after briefly introducing the formal end of Mexico's retail sector and our Mexican study and samples, we start with an overall profile of retail jobs in Mexico. Next, we consider how and why jobs in formal and modern retail (which constitutes nearly half of Mexican retail employment) look different between the two countries. Unions proved an important institutional differentiator for job quality in Europe and the United States, so we pay particular attention to the role of unions in both national settings, and explore how differences *among* Mexican unions may be more important than the union-nonunion difference. Gender role distinctions—more marked in Mexico than the US—also play a role in differences in workforce composition and options for women across the two countries' formal retail industries. Then we widen our scope of inquiry to include informal retail businesses, drawing out comparative lessons here as well.

FIELD STUDIES

In Mexico, we conducted 133 interviews at 22 chains and 12 smaller, more informal retail firms located across Mexico in 2003–2004 ("the cross-sectional study"); we also conducted a three-period longitudinal survey of 91 food retail workers in formal and informal businesses in the central Mexican state of Tlaxcala in 2006–2008 ("the longitudinal study")[2]. In addition, we tapped standard data sources as in the United States and Europe. In both field studies we asked about hours of work, compensation, work history and job mobility. In the cross-sectional Mexican study we also asked about company operations and the nature of tasks and skills involved in jobs. Mexican chains were reluctant to participate, so at six of the Mexican chains we only succeeded in getting access at the single store level. Some Mexican executives and managers also declined to give certain details, especially about salaries.

Because we launched the cross-sectional Mexican study before adopting the comparative design that structured research in the other countries, our sample includes food, general merchandise, clothing, and consumer electronics—primarily food and general merchandise, with only one electronics-only retailer. The longitudinal study is limited to food outlets, and includes workers in formal settings from big boxes to convenience, liquor, and drugstore chains, and even two wholesalers, as well as less formal settings ranging from mom and pop stores to market stalls to itinerant street vendors. Thus, neither sample matches up exactly with the U.S. retail sample, and both are far more heterogeneous in business size and format. (The U.S. field sample is described in the main body of the volume, in chapter 3.)

Initial profile of Mexican retail jobs

Looking at the two countries' retail sectors in their entirety reveals many parallels. Unlike U.S. retail as a whole, Mexican retail employment is dominated by self-employment and unpaid family workers, totaling 55 percent of Mexico's retail workforce in 2009.[3] Echoing small units' strong role in U.S. retailing, nearly two-thirds of Mexican retail establishments employed five people or fewer in 2003 (compared to less than half in the economy as a whole), and nearly three-quarters employed 15 or fewer. And in a parallel to the reduced access to benefits of many U.S. retail workers, more than one-third of Mexican retail workers lack *all* of three key benefits required by Mexican law—an annual holiday bonus, vacation pay, and health benefits—making them 11 percent less likely than the average worker to receive any of the benefits.[4]

Table A1.1 summarizes the more detailed wage and turnover data obtained in the cross-sectional study's interviews. We caution that the sample is small, especially in more informal formats, and not representative. Information on salaries and turnover is especially patchy for supervisors. Nonetheless, the findings are informative, and where feasible we have triangulated from multiple interviews and documents to provide figures that are as reliable as possible.[5]

Table A1.1: Hourly earnings (U.S. $) and turnover by type of retail business for a sample of Mexican retailers, 2003-2004[6]

	Retail format				
	Total	*Chains*	*Single stores*	*Market stands*	*Baggers at chains*
2 week salary, entry level (pesos)					
Minimum	\$0.53	\$0.53	\$0.90	\$0.78	\$0.71
Maximum	\$3.23	\$3.23	\$1.20	\$1.48	\$4.43
Average	\$1.37	\$1.44	\$1.03	\$1.13	\$2.15
2 week salary, supervisor (pesos)					
Minimum	\$0.74	\$0.74	\$0.97	\$1.85	--
Maximum	\$7.61	\$7.61	\$6.39	\$2.66	--
Average	\$2.71	\$2.76	\$2.87	\$2.25	--
Entry-level or total personnel turnover, %/year					
Minimum	0%	1%	0%	8%	--
Maximum	500	230	80	500	--
Average	80	64	41	254	--
Supervisory turnover, %/year					
Minimum	0%	35%	0%	0%	--
Maximum	75	75	0	0	--
Average	19	49	0	0	--
Correlation between entry-level salary and total turnover	-0.18	-0.11	0.98	--	--
Sample size	7-31	3-25	4	2	7

Note: From field research (cross-sectional survey) by authors. Ranges of sample sizes refer to the different variables in the table. "- -" indicated for correlations with a sample size of less than 4, and when the number is not relevant.

Perhaps the most remarkable finding is that large retail chains include both the highest *and* the lowest levels of pay for both entry-level workers and supervisors. Among entry-level workers, the low earner at 53 cents an hour, not far above the legal minimum wage of 47 cents[7], is not actually someone who was directly employed by a chain store: he was a *promotor* employed by a meat products manufacturer to give out samples and drum up sales within the supermarket. But in addition, two retail chains compensate their lowest-paid clerks at less than the 78 cent rate that is the lowest non-chain salary in the sample. On the other hand, the highest figure, $3.23/hour, is a department store saleswoman who gets more than two-thirds of that total from commissions. The six-to-one ratio between the highest and lowest earners in entry-level jobs in the same segment of a single industry is in itself quite striking.

Somewhat counter-intuitive is the relatively high rate of pay of the baggers, formerly teen-aged boys and girls, now (after protests against the practice of hiring teens) elderly retirees, who work entirely for tips. The *empacadores* typically work five hours a day, so they do not earn as much as full-time workers; nonetheless, the figures signify that, on an hourly basis, many baggers working for tips earn *more* than the adult cashiers next to whom they stand.

In another indicator of wide within-country variation, the range of turnover figures is startling, extending as it does from 0 percent—no turnover within the memory of the respondent—to 500 percent. Small, family-run stores fared better on turnover than either chain stores or market stands. These data confirm the expectation that higher rates of pay will tend to deter employee turnover. The correlation between entry-level salary and turnover rate is negative, though small.

Not surprisingly, supervisory turnover is lower than the departure rate for employees in general—and lowest of all for small, family-run businesses, where the supervisors are family members. More surprising are the relatively high supervisory turnover rates reported in chain stores. These rates are not representative of chain stores in general: they come from three convenience store chains.

Formal retail in Mexico and the United States

What can we learn from comparing Mexican formal retail jobs with their counterparts north of the border? A casual observer scanning formal retail in Mexico and the United States would find the two strikingly similar. At the upper end of the size scale, big box stores have penetrated Mexican cities even more thoroughly than U.S. ones. Wal-Mart leads the pack. The stores of its major Mexican competitors, Soriana, Chedraui, and Comercial Mexicana, mirror those of Wal-Mart. Costco and Texas-based big-box grocer HEB have also entered the Mexican market. All these big boxes include food, and tilt more toward food than the typical U.S. Wal-Mart supercenter, but all are similarly general merchandisers, offering clothing, household goods, automotive supplies, a limited selection of electronic appliances, and so on. At the other end of the size scale, convenience stores dot street corners and highway interchanges. Here Mexican chain Oxxo dominates, but with a format recognizable to any U.S. shopper, and U.S. chains 7-Eleven and Circle K also fill the ranks. Regional supermarket chains and mom and pops are also widespread, as in the United States.

There is less congruence in consumer electronics. In Mexico, electronic equipment sales are dominated by Elektra, whose medium-sized stores offer a value proposition resting on extended installment plan purchase terms and a well-developed system for "material remittances"—purchases in Mexico by U.S.-based relatives—as befits a retailer owned by Mexico's second-largest bank, Banamex. But U.S. office superstore chain Office Depot is also in the mix, as are all the big-box general retail chains just mentioned.

Still, format similarities, overlapping corporate empires, and geographic contiguity—along with the huge Mexican migrant population in the United States—could easily lead one to suppose that in formal retail, not much changes at the border. One Mexican particularity is the nearly 300 government-run ISSSTE superstores, originally open just to certain public employees, later opened to the general public. But even this has a sort of parallel in the United States—PX's on U.S. army bases in all 50 states (as well as over 30 countries).[8] And in fact, as part of Mexico's continued neoliberal policy swing, the government is reportedly threatening to close 200 ISSSTE stores.[9]

Yet, as with the Europe and United States comparison, a shopping experience that is similar in many ways does *not* translate into the same set of labor practices between the two countries. U.S. retailers have a huge part-time workforce, whereas the Mexican retail workforce has tilted heavily toward full-time hours or even longer. Pay disparities gape wider in Mexico than in the United States. In Mexican retail, women are more likely to confront glass ceilings and to forego upward mobility or even exit the workforce altogether due to more confining gender roles. Mexican retail unions overwhelmingly sign "sweetheart" contracts that protect management more than labor, in contrast with U.S. unions that actively seek to represent the interests of workers—though with varying degrees of success.

Why such differences? Just as we saw in Europe, these contrasts in employment patterns and practices stem from a number of institutional differences. The institutions in question range from specific labor laws, to political regime differences with deep roots, to cultural values (preference for entrepreneurship, shopping culture, *machismo*) with even deeper ones. The details open a window on working life in Mexico, but also shed added light on how retailers do business in the United States—and why.

Longer work hours in Mexico

Take a look at work hours in retail in the two countries (Table A1.2). Unlike the heavily part-time workforce in the United States, Mexican retail workers average four hours per week longer than their counterparts in the workforce as a whole. This Mexican pattern holds essentially unchanged even if we limit the focus to employees (excluding self-employed and unpaid family workers, the core workforces of small business and informal retail).[10]

We have documented that, in the United States, retailers use the full-time/part-time distinction as a legally and normatively acceptable way to exclude a large group of employees from the standard wage level and full benefit package. But why don't Mexican retailers follow the same path?

Unlike the case in the United States, Mexico's institutions motivate businesses in general, and retailers in particular, to set *longer* hours. First, Mexico imposes a wage premium on overtime, as in the United States, but the premium only takes effect at 48 hours. While some industries have adopted a shorter workweek, the 48-hour week consisting of six 8-hour days is the standard in formal Mexican retail. A standard 48-hour workweek raises the average number of hours and also makes it relatively easy to cover Saturdays and Sundays without use of part-time workers (simply by staggering six-day schedules).

Second, Mexico's minimum wage sets a *daily* minimum.[11] For jobs that pay the minimum wage or close to it, as many retail jobs do, there is no advantage to having workers cover just a few peak hours per day, because the employer must pay the daily minimum regardless of the number of hours. Indeed, contractual wage rates in general are set by the day. Third, employer-provided health and pension benefits are relatively rare in Mexico; most Mexican formal retail workers depend on the inadequate and uneven but nonetheless nearly universal government-provided systems.[12] Making workers part-time does not avoid benefit payments.[13]

Table A1.2: Levels of Average Weekly Hours for the United States and Mexico[14]

	US (2011)	**Mexico** (2008)
Total		
All workers		45.3
All employees	34.4	45.9
All nonsupervisory employees	33.6	46.2
Supervisory employees		44.7
Retail		
All workers		49.7
All employees	31.6	50.0
All nonsupervisory employees	30.5	49.9
Supervisory employees		49.0

Note: Sources are U.S. Bureau of Labor Statistics 2016, INEGI 2010. Hours from Mexico's Economic Census computed by assuming 52 weeks of work per year, which means weekly hours may be underestimated.

Thus, the key incentives for businesses, and retailers in particular, to shorten hours in the United States are absent in Mexico. Moreover, given that pay is set by the day, there is an economic incentive for employers to press workers to work longer while paying the contractual daily wage. Fieldwork from the cross-sectional study indicates that, in fact, retailers do save on labor costs by *extending* worker hours: it appears to be common for stores to require workers to work added hours without pay, in violation of the daily overtime law. Interchanges with a manager at a Día y Noche convenience store and a clerk at a Hipermerca supermarket[15] show two perspectives on this:

> Interviewer: How do you handle overtime? Do you pay for the extra hours, or are they included in the regular salary?
> Día y Noche manager: For a shift—that is, if someone works on their day off—we just pay them for an extra day.
> Interviewer: But if somebody has to work, for example, one more hour at the end of a shift—does that happen sometimes?
> Manager: No, no, because here every employee has their own work, so if they don't finish it then they have to stay and finish it up.

> Interviewer: And do you sometimes work some extra hours?
> Hipermerca clerk: Oooh, yes, always. We never leave when we're supposed to.
> Interviewer: And do you get paid for the additional hours?
> Clerk: (Laughs) No.
> Interviewer: Never?
> Clerk: It depends on whether…. Supposedly if they tell us they're going to pay us overtime, then yes. But if we stay because we choose to, or, if we have a lot of work we have to stay because no way we can leave all that work undone.

Though some workers grumbled about the expectation of extra, unpaid hours, the practice has a surprisingly high level of legitimacy. In some cases employees indicated their consent to unpaid extra work:

> OK, I stay an hour or two over, but it's voluntary. [Interviewer: Without pay?] Without pay, it's just, as they say, for the love of art, for the love of work, but almost always I stay one or two extra hours. (Grocery store clerk)

> [At Liverpool] they didn't pay us for overtime we worked, of course, because it was stipulated when we signed the contract that they don't pay overtime. Because, for example, with evening sales, the door closes when the last customer leaves. And when you're shopping and furthermore you're women, time flies (laughs), so when the store was finally closing, we had to start arranging the whole mess and leave it, since it's a department store, leave it spotless, as if nobody had ever been through, for the next day. So we would leave very late. (Former clerk, Liverpool [actual name] department store)

In fact, Roberto (a pseudonym), a former executive of Cifra, the Mexican grocer acquired by Wal-Mart, noted:

> It was not uncommon for our people to work extra hours without demanding anything…. They [Wal-Mart] were surprised at the fact that people would just stay on the job for that night in order for the store to be ready the following day.

The operative conception is thus "a day's work for a day's pay," even if the day's work takes more than eight hours. A number of workers at various retailers confirmed this practice, with estimates ranging from "four extra hours in the average week" to "one or two extra hours [daily]." Certainly this strategy occurs in the United States as well[16], and Bernhardt and co-authors estimate that in their sample of low-wage workers in New York, Los Angeles, and Chicago, nearly two-thirds of low-wage grocery store workers (in companies of any size) *who worked more than 40 hours* were not paid the overtime premium.[17] Still, our U.S. fieldwork in larger companies pointed to managers seeking to avoid scheduling workers for over 40 hours, rather than making it a routine practice; no workers in our sample reported unpaid overtime.

This line of argument posits that some legal requirements bind more than others in Mexico; employers are more likely to violate the legal requirement to pay for all hours worked than the requirement to pay the minimum daily wage. This supposition is certainly consistent with our retail fieldwork: there were numerous reports of unpaid extra hours, and no reports of contractual wages below the statutory minimum. It also makes sense, because there is a written record of contractual wages in employment contracts and payroll records, whereas there is no built-in record-keeping of extra work hours in retail establishments. Also contributing to the incentive to dodge overtime payments is a high premium of 100 percent (i.e., double time) up to 57 hours, and 200 percent beyond that point.

Another indication that (on average) Mexican businesses press less-powerful employees to work longer hours, whereas U.S. businesses impose short-hour scheduling, emerges from comparing the hours of nonsupervisory and supervisory workers in Table A1.1. In the United States, weekly hours are longer in the category with all employees (which includes supervisors and managers), which resonates with our own fieldwork finding that store managers work extremely long hours (typically 55 hours or more per week), whereas, in Mexico, weekly hours are longer for line employees than for managers.

There is reason to think that hours extension may be even more extreme in Mexican retail than in the rest of the formal economy. Mexican chain stores are typically open seven days a week and long hours, much like their U.S. counterparts. Stretching out hours is one way to cover customer flows over a service day of 12 or 14 hours.

Compensation

Retail compensation structures also differ across the two countries as might be expected. In the broadest terms, retail wages reflect the overall productivity and standard of living of the two countries. Thus, average hourly retail pay was $15.39 in the United States, and 20.22 Mexican pesos (US $1.50) in Mexico in 2009 (the most recent year for which Mexico data are available).[18]

Corporate strategy is particularly important in shaping pay disparities, including both pay-setting differences across countries and variation within countries. To illustrate this, we first examine how competitive strategy shapes variable pay in the U.S. and Mexican retail sectors. Then we look at how market, institutional, and strategic factors come together in determining pay hierarchies within U.S. and Mexican stores.

Variable pay Outside the terrain of electronics sales (which we consider separately below), variable pay took the form of bonuses. In both countries, store-performance-based bonuses for store managers (and in some cases multiple layers of store supervision) were ubiquitous. But bonus policies for non-managerial employees ranged all over the map.

In the U.S. grocery sector, bonuses were historically limited to the managerial level. However, one company has long provided bonuses based on store-level performance to the hourly level workers, and four others recently added them. A Homestyle district manager commented:

> One of the biggest issues that the rank and file had was, "The department manager gets a bonus, co-managers get a bonus, store manager gets a bonus, all you folks at corporate get a bonus. We don't get a bonus. So we feel like we're working for the good of the department manager, not necessarily for the good of Homestyle." We listened. Hey, that's a valid point…. So we developed this profit sharing program and the impact has been incredible.

At Food Chief, where no such bonus is in effect, managers still have the discretion to give Food Chief Bucks (store credits) to workers who have done something outstanding. Six of the ten food retailers offer some form of variable compensation to nonsupervisory workers.

At the same time, two other U.S. grocery chains recently *dropped* variable pay. Megamart ended its variable pay program in response to a wage and hour lawsuit. Freshland for several years paid productivity bonuses—tied to cases stocked—in some departments. But the experiment was dropped because of dissension from employees who did not have access to the incentives.

The Mexican retail landscape regarding variable pay to non-supervisors has one baseline element: Mexican law requires profit-sharing with all employees, which typically amounts to an extra two weeks of pay per year (but obviously depends on achieving an accounting profit). Beyond this, however, practices in the cross-sectional sample vary widely, including group bonuses tied to store or chain performance, individual bonuses for perfect attendance and good performance, and "employee of the month" awards. This scattered set of practices suggests an ongoing process of experimentation. However, a closer look at individual-level bonuses among grocery chains points to some likely processes of organizational learning and imitation. The chains offering performance bonuses (Bodegas López, Gusto, ISSSTE, and Sabor) are, with the exception of Gusto, all based in Mexico City. The chains with employee of the month competitions (Convenimax, Día y Noche, and Tiendas Wilson) are all based in Monterrey, the largest city in Mexico's North. Neighboring companies are presumably learning from each other.

Commission pay in consumer electronics sales is a special case of variable pay, and presents a striking contrast between the United States and Mexico. In the United States, our sample includes four "pure" electronics retailers (as opposed to those selling electronics as part of a broader set of merchandise lines). Of these, the two big-box chains, Electronix and Technology Source, had both dropped commissions several years earlier, as we recounted in chapter 4. The main driver seems to have been cost reduction, especially in the context of shrinking margins on electronic equipment. As an executive at one of the big boxes described it:

> It was great for the payroll side of the business and being able to reduce…. We [were] throwing a lot of money at a very few individuals in our stores. The other problem, too, was you couldn't leverage your payroll very well. As your sales increased, so did your payroll.

He pointed to the incentive problem resulting from the abolition of commissions: "Now I'm not motivated to want to work on a Saturday…where prior, you wanted to work on a Saturday and Sunday. That's when you made your money, because the customers were there."

In Mexico, we were only able to gain access to one electronics chain, Hogartrónico, but it is one of the largest, a successful and rapidly growing enterprise. There we found that 100 percent of salespeople's income was based on "pay for contribution to sales." When asked about the risk this imposes on sales staff, Hogartrónico's head of training replied, somewhat dismissively:

> We provide the marketing, products, a nice assortment, we provide all the means they need in order to sell. What do they have to put in? Just love for the team, affection for customer service, in order to start selling the products.

Thus, both U.S. and Mexican electronics retailers structured compensation so as to keep costs low. But the leading U.S. electronics sellers opted for cost-cutting over direct sales incentives (instead using supervision, team-building, and promotion opportunities to encourage sales). In Mexico, on the other hand, a leading electronics retailer found a way to combine incentives with low cost by eliminating the base salary altogether, relying on 100 percent commission pay. The acceptability of this approach appears to be a perverse outgrowth of a strong entrepreneurial culture in Mexico (which we discuss further below), in contrast with the United States where despite the appeal of self-employment, it is accepted that store-based commission salespeople are employees with base pay. Interestingly, both of these cases contrast with the European consumer electronics chains appearing in chapter 5, which continue to rely on commissions in a traditional way, as a financial motivator for sales on top of a guaranteed base salary.

Pay hierarchies One simple measure in which there is a striking contrast between the two countries, is pay hierarchy within the store, measured by the store general manager's salary divided by the entry-level clerk salary (including any bonuses in both cases), which we were able to calculate for most field study chains in both countries.[19] Not surprisingly, this ratio is higher for larger stores with more layers of management: full-size U.S. grocery stores (with 200-450 employees) have ratios ranging from 4.3 to 5.4, whereas the two small format chains (20-40 workers) in our U.S. sample both have ratios of 2.8. But in the Mexico sample, the two chains of full-size grocers for which we have information both fall at the lower end of the large size category (about 200 employees), but have much higher ratios, of 11.0 and 29.2! Confirming the contrast, smaller Mexican grocery chains (6-60 workers per store) show ratios of 3.3-3.8 (with the exception of Convenimax, to be discussed below), well above the U.S. ratio of 2.8.

The difference seems to reflect the overall higher level of inequality and hierarchy in Mexican society. In Tiendas Wilson, which has the staggering top-to-bottom ratio of 29.2, the largest portion of the gap occurs at the level of department heads (the lowest level of management), who earn 5.4 times as much as a full-time clerk—whereas in large U.S. grocery stores this ratio ranges from 1.1 to 1.6. Paying full-time clerks at the bottom of the job structure relatively well makes sense in U.S. formal retail. Since retailers utilize part-time employment so heavily, it is critical to have dependable full-timers—often just one per department per shift—who will stay in the job and train and informally oversee the part-timers, in essence acting as line supervisors. By the same token, this higher pay rate only applies to a small number of U.S. clerks, whereas in Mexico, where part-time employment is scant in retail, it would be quite costly to compensate full-timers well.

But variations *within* each country are as revealing as the gaping difference between them. Unions evidently make a difference in the gradient of the hierarchy. Comparing the two large-format Mexican grocers, the lower store-manager-to-clerk wage ratio of 11.0 is at government-run retailer ISSSTE, where there is a formidable union. At Tiendas Wilson, where HR officials commented, *"We have a union-free life…even though there's a union"* because the union does not get involved in any management decisions, the manager-to-clerk ratio is nearly three times as large as at ISSSTE—and the crucial pay ratio of department head to clerk in particular is exactly three times as large. Similarly in the US, comparing non-union Homestyle and unionized Food Chief, two otherwise similar chains, we find that Homestyle has a larger top-to-bottom ratio of 5.4 compared to 4.9, but even more revealingly, Food Chief has a much larger gap between full-time and part-time clerks, but a much smaller gap between full-time clerks and managers. U.S. unions view full-time workers as their core, long-term membership, and have proven willing to protect them at the expense of part-timers through two-tier contracts and the like, though union representatives told us they regretted not being able to do more for the part-time workforce.

Corporate strategy, and in particular the effect of ownership structure, also enters into the determination of these hierarchies. Convenimax is the one smaller-format Mexican grocery chain where the manager-to-clerk ratio falls outside the neighborhood of 3.5: its ratio is 2.0 in franchised stores and 2.5 in company-operated stores. Clearly Convenimax management is marching to a different drummer; one possible reason is that the chain is US-owned. Also, we have wage information on one Mexican chain with mid-sized stores (about 100 employees), Gusto, which has a ratio of 2.6, lower than all the Mexican companies except Convenimax. Possible reasons for this outlier include the fact that Gusto is a small family-owned firm in the process of implementing more formal management systems, and that it is based in a sparsely populated state with little presence of large chains and is not competing with retail giants for managers. Thus, within each country, institutions—in particular unions—company-level discretion both affect within-store pay inequalities.

In spite of historical tolerance for hierarchy, Mexican retailers are struggling with many of the same issues of employee engagement as their U.S. counterparts, so some aspects of traditional hierarchical relations may be in flux. The head of human resources at a department store chain described a generational shift, observing that,

> Young people won't accept a dictatorial boss. They wouldn't be able to work with that kind of boss. And that used to be the style in all the department stores, up to ten or fifteen years ago. They were very military, and now that's getting nibbled away.

At the same time, many Mexican retailers are much closer to a history of family management, and are struggling to move beyond familial management structure. The son of Gusto's founder said:

> The structure now is much more formal than before. There was none of this three years back, right? Because papá was in charge, so it was he who more or less picked a store manager and an assistant manager, but there was no clear responsibility. It wasn't very clear whether he, from the central office, had the authority to tell other people what to do or not.

On the other hand, some modern, formal retail businesses are intentionally building in family management. In particular, convenience stores, with their small floor area and limited staffing, are susceptible to this model. A Día y Noche corporate official stated, "The most successful cases are when the manager has his family, or friends, people very close to him, is when the team generally lasts, it's integrated, it works well and bottom line, it succeeds in taking over a store." At one Día y Noche, the manager reported that out of a staff of twelve, five apart from him are family members. This sounds very much like the corner stores that Día y Noche is replacing—only inserted within a corporate structure.

Job ladders and mobility

Retail chains in both countries follow similar strategies regarding promotion ladders and tradeoffs between promoting from within and hiring from outside. However, significant differences in norms regarding gender roles and reproductive sphere institutions result in somewhat different trajectories for Mexican and U.S. women retail workers.

Before inquiring into similarities and differences in mobility trajectories for retail workers, it is worth noting two contrasts that are important parts of the context for mobility in the two countries. First, the general level of education is far lower in Mexico than in the U.S. and workers with any post-secondary education are considered part of the socio-economic elite. As of 2010, over 51 percent of the working age population (age 15+) did not have a high school diploma and only 17 percent had a college degree.[20]

Also, formal sector jobs in modern firms of any sector are far less available in the larger economy, even for workers with education. Retail jobs are considered appropriate for educated workers relative to other options. This pattern holds even given the caveats that jobs in retail are considered somewhat low paid and that, ultimately, most workers with education aspire to run their own business, not remain employed in a chain.

Second, and of less importance in broader mobility patterns, the lowest position in chains—bagger—is not a waged position In Mexico. Baggers work exclusively for tips. In the US, the job is waged and is a common first step into retail job ladders. Similarly, uniformed parking lot assistants (directing motorists), a non-existent position in the US, work exclusively for tips. Otherwise job ladders within chains are fairly similar in the two countries.

Turnover patterns Turnover for entry-level workers is high in both countries, a hallmark of retail work. In both cases it is primarily due to quits, rather than firings. Among entry-level workers, turnover is high among young workers overall, in both countries. It is also particularly triggered by workers seeking higher pay (especially in Mexico) or longer work hours (U.S. part-time workers). In Mexico, substantial numbers of women quit due to family responsibilities (see below). Among Mexican higher level workers, turnover is due, in addition to seeking higher pay, to setting out to run a business on one's own (sometimes managing a franchise store), and to moves within Mexico or migration, while among their U.S. counterparts, it is more likely triggered by the desire for easier work schedules (less weekend and night work).

Where U.S. managers mentioned advantages of turnover such as keeping a lid on wage growth through seniority or implementing reorganizations of work processes without resistance, we saw only rare instances of this view in Mexico manager interviews in the cross-sectional study. Instead, Mexican managers saw turnover rates above 25 percent as a liability and as eroding the ability of the business to operate efficiently.

Manager statements illustrate the contrast. In the United States an assistant manager at The Market, a grocery chain, stated, "High turnover can sort of give managers a chance to somewhat start anew." A Food Chief regional HR manager put it more bluntly: "We like turnover because it keeps our average hourly rate down." In contrast, an executive at Mexico's Tiendas Wilson commented on the disadvantages of turnover and his company's orientation to keeping workers, uttering words we heard in other interviews: "Of course turnover is a problem. There's healthy turnover and there's turnover that gives you trouble. It means doing it all over again—training and hiring—and all that costs money. Our main challenge is to retain our people. Here they're valued, so we have to take care of them."

In spite of this apparent attitudinal difference, turnover is on the whole higher in Mexican food retail chains in particular in the cross-sectional study than in their U.S. counterparts. Perhaps it is this high turnover that generates managers' greater focus on retention. In food chains for which information was available, average turnover was 100 percent (as high as

113 percent if government-owned ISSSTE is excluded). This level of turnover is substantially higher than the average in the U.S. study sample (mean 53 percent).

Beyond averages, there is cross-firm variation in both countries. Entry-level turnover ranged widely across Mexican formal firms, from 1 percent yearly (in ISSSTE) to 230 percent in commercial chains, and from zero to 80 percent in single store retailers. The availability of other (formal) employment options affected turnover rates directly, according to Mexican managers. For example, a Hipermerca manager in a shoe-producing region noted: "Turnover has stopped [because] the shoe industry is in recession; those are businesses that offer much more manageable hours." Respondents at Gusto noted that turnover had been halved from a high of 60-80 percent after another source of jobs, maquiladoras, relocated away. As discussed in chapter 3, the range of variation in the U.S. study sample was far narrower, 40-80 percent in food retail[21] and 68-80 percent in consumer electronics, even in a context where other retail jobs are available.

Similar strategies for manager hiring In both countries, the broad pattern of promotion has historically been to promote from within. As reported earlier, U.S. companies reported fairly high rates of manager promotion from within: 60-90 percent of upper level hourly jobs as well as store level management were filled from within in food chains; electronics chains reported rates of 50 percent.

Even while mobility from within still distinguishes retail from other industries, recent changes in practices include increasing hiring from outside. Modern retailers in both countries have tapped increased availability of college-educated workers to hire for mid-level and higher level managers. In the United States, educational requirements for retail positions are higher than in Mexico (for example, a 4-year college degree for assistant store manager in large chains as compared to a two-year degree in Mexico), but the patterns are similar. At the same time, Mexican workers with higher levels of formal education take jobs in retail more readily than in the U.S. and are chosen for managerial positions over those with less education. At Convenimax, the Manager of Franchising noted that competitor 7-11 had started shifting to more educated managers, and predicted Covenimax would follow suit. For example, several years earlier the chain had started hiring regional managers with technical degrees. At ISSSTE, the government owned food chain, very few managers come from within because internal candidates "do not have the education level required."

Mobility and gender differences: a contrast with the U.S. situation While retail job ladders and hiring patterns look roughly similar across the two countries, gender differentiation of mobility patterns is more marked in Mexico than in the United States.

To start with, broad patterns of gender typing operate in both countries. On the whole, men are more likely to be over-represented in management ranks (and rise faster) and, within these, in the higher echelons. However, taking these similar patterns into account, we find that Mexican women workers have work patterns *more* marked by their reproductive roles than U.S. women. In the United States, the gender differences appear to be ones of kind of job and degree of career achievement. In Mexico, in addition to a similar job gap, women are much more likely to withdraw from formal work during family formation and child-bearing years, and less likely to transition from informal retail work into formal positions. Conversely, Mexican men are able to parlay promotions achieved in small business to similar positions in retail chains.

These differences reflect Mexico's gender hierarchy, its reproductive institutions, and its sparing use of part-time labor. Mexico has much more clearly demarcated gender roles, with women expected to have primary responsibility as family caregiver, particularly in the raising of children. There is also fairly clear evidence of labor market discrimination against women in the broader Mexican labor market.[22] Women retail workers in our longitudinal study commented on discrimination as a barrier to mobility. A woman who sold products for the large snack company Sabritas in an Aurrera supercenter (actual company name) observed:

> Any company, any vendor services company…if there is a man, they make him supervisor…Here, a boy who came in out of nowhere, they gave him a position just because he had gone to college. Because he's a man and he has a certain educational level. I've seen it. There was a woman who worked with us who also had studied… and it was obvious that she was the one who should move up, but they did something, they hired a boy who had his BA and they left her in the lower position. She quit. That's why I tell you that they give preference to men.

Related to these more traditional gender roles and further reinforcing them, child care availability and affordability are limited, making it difficult to hold a job while raising young children. For example, by law, formal workers can access publicly funded child care but, in reality, child care availability is limited and unevenly accessible across the country. Mothers, grandmothers, and in better-off families domestic workers are the main child care providers. Social forces steering women toward a full-time parenting role are further reinforced by the prevalence of full-time schedules in formal sector retailers. Where U.S. women workers might adapt to limited child care by working part-time—while suffering significant immediate economic costs and longer term negative career consequences—Mexican women leave the workforce altogether because short hours are not an option in formal retail, except in a few multinational retailers who can afford to pay an effective hourly rate well above the minimum wage.

As a result, we find two different trajectories for Mexican women, differentiated by education. First, women with higher education are primarily hired at mid-level or higher level manager positions which they seem to maintain with some interruption for child bearing but with options for obtaining child care later in the child-rearing process. Second, women hired in entry-level positions face two levels of challenges to mobility: they experience career interruptions from withdrawal from the labor force; and those with continuous work histories are hindered by education requirements for mid-level positions.

The career interruptions are quite significant. Those who worked while raising children reported "family difficulties" as the reason for leaving past positions. Similarly, managers alluded to family issues that triggered turnover. Commenting on sources of turnover, the HR manager at one Tiendas Wilson store said "recently we've had a series with family problems". The HR head at another Wilson store listed "married women who don't have anyone to take care of their children and family problems" as causes for turnover. Longitudinal study interviews for women who are older and in lower level positions likewise indicate stretches of time entirely dedicated to child rearing or, at least, to avoiding formal sector work.

The U.S. study did not gather such detailed career histories, but contrasts with Mexico emerged from the data we did gather. Family responsibilities figured significantly for U.S. part-time workers, especially for those who recount shifting from a full-time schedule to part-time. Women workers reported working part-time due to the care of young children and the need to reduce hours during school holidays. Given the limited availability of affordable child care, two parents may work alternating shifts in order to avoid having to use non-family child care at all, and single parents find that the only way to watch over school-age children is to work part-time. (Elder care responsibilities also played a role in part-time work.)

In earlier chapters, we observed that U.S. day-time, steady, "gap-filler" part-time schedules were filled by women with family responsibilities. These women did not turn over much. The accommodation of family that the job provides came with a cost: low pay, and smaller chances of moving up due to the accumulated years in entry-level positions. These women, however, could shuttle back and forth between short-hour part-time and time-adjuster status (seeking and awaiting full-time) when family responsibilities lightened, or intensified.

In addition, promotion paths were open for U.S. women in entry-level positions. For example, cashiers with steady work records could be promoted to shift supervisor, and eventually "front end" supervisor (who oversees cashiers, the customer service desk, and a few other functions). This promotion path was peopled primarily by women. It is much rarer for front end supervisors to migrate to supervisory positions in other sectors of stores. Nonetheless, in chains with smaller stores, those hired as cashier (a multi-task job that also entails being a floor clerk) could eventually manage a store. Beyond store manager, however, women were thinly represented. U.S. women workers beyond entry level and with higher education were found in HR, training, merchandising, and a few in operations functions, not more widely distributed through management.

The contrasting role of unions in formal retail in Mexico and the United States

As we saw from our comparisons of retail jobs across European countries and the United States in chapters 5 and 6, unions can play a significant role in affecting job quality through collective bargaining or policy action. Moreover, the place of collective bargaining in employment regulation and the way in which it is structured affect outcomes for low-wage jobs, particularly basic compensation. Denmark has a relatively centralized labor movement and bargaining process (with the main agreements at the sectoral level rather than enterprise by enterprise), high union density, and politically and economically powerful unions, leading to relatively high wages and less effective exit options for employers. Also, Denmark's explicit policy of wage compression achieved through collective bargaining agreements contributes to relatively high wages from front-line retail workers. In a contrasting environment, France has low union density (membership is not required for collective bargaining coverage) but *politically* powerful unions, and it is unions' political clout, rather than sector-specific bargaining power, that primarily lifts retail wages through a relatively high minimum wage. Thus the structure of industrial relations and the role of unions *economy-wide* matters more in this case than retail union presence per se.

Keeping these structural differences in mind and turning to Mexico and the United States, we also find that unions and collective bargaining operate in distinct institutional environments in the two countries, with consequences for retail job quality. In the United States, with its context of a limited government role in employment regulation, collective bargaining can play a significant role in affecting company policy (benefit access, hours of work, and procedures for promotion) as we saw in chapters 3 and 4. As a result, differences in job quality between unionized and non-unionized retail jobs are noticeable.

Where they exist, U.S. grocery unions have bargained hard, showing a willingness to strike, notably in the hard-fought 2003-04 Southern California grocery strike and lockout[23], and retailers have vigorously resisted unionization.[24] Partly because of this employer opposition, union coverage in U.S. retail has fallen sharply over time (as we noted in chapter 2), reaching 4.4 percent in 2014. This anemic percentage reflects a grocery store unionization rate of 14.4 percent (down from 31.1 percent in 1983, but steady in its relative position of more than twice as high as the private sector average) while there is virtually no union presence in the rest of the sector, notably in consumer electronics.[25] For these reasons, collective bargaining has a limited impact, not only affecting increasingly fewer workers directly but also having diminishing "threat" effects on non-union workplaces. The United Food and Commercial Workers (UFCW), the main union in retail, has recommitted to a strong focus on organizing workers.[26] Like most national unions, the UFCW includes some locals that have become much more active organizers, and others that content themselves with collective bargaining in a shrinking share of retail. Our sample included two cases of UFCW locals that felt compelled by the specter of low-wage competitors to give concessions on wages, benefits, and full-time opportunities, especially for new hires. It also included one case of a local affiliated with another union that had bargained quite successfully with a company following a "high road" strategy of paying above-market wages and benefits and gaining greater employee commitment and effort. Reflecting this patchwork reality within the unionized retail sector, the level of retail union clout varies widely by region and state within the United States, as we saw in chapter 2.

In Mexico, where labor law is, *in principle*, much more conducive to unionization than U.S. law, unions have a limited impact but, as in the U.S. there are substantial variations in unions' effectiveness as will be elaborated below. Nevertheless, in a few cases, Mexican retail unions play a strikingly powerful role in job quality. The limits on the advantages

Mexican unions reap for their members, and the leverage they do possess, both grow out of the history of Mexican labor relations. Historically, trade unions were party to the great corporatist bargain that came out of the 1910-20 Mexican revolution. They, along with small farmer organizations and other sectoral organizations, formed part of the base and infrastructure of the Institutional Revolutionary Party (PRI) that ruled Mexico for over 70 years, was displaced from power from 2000-2012, and at the time of this writing once more controls the Presidency and has the largest bloc in both houses of Congress.

What Ian Roxborough[27] calls the "standard account" of the role of unions in Mexico holds that unions have been a weak appendage of the authoritarian state, with little or no independent power (or in some cases will) to advocate for the interests of workers in collective bargaining or legislation. Considerable evidence bolsters this view, despite labor laws that appear union-friendly. By law, a petition of 20 workers is sufficient to form a union, whereas U.S. law requires a majority vote that in practice is typically contested by employers. But in reality, in many sectors, Mexican collective bargaining contracts consist largely of "protection contracts" that affirm the benefits required by law and specify wages and fringe benefits somewhat above the legally required minima, but do little to enforce these standards, and meanwhile block entry by any more militant union.[28] An unexpected reform passed in 2017 has the potential to shake up the system, mandating secret ballot votes to ratify contracts, elect union representatives, and resolve inter-union conflicts, and shifting dispute resolution out of Local Labor Relations Councils friendly to "protection" unions and into the courts. However, the law is still early in the process of implementation at the time we are writing, and the attorney Arturo Alcalde, one of the country's top labor relations experts, has expressed deep skepticism that the law will be adequately enforced.[29]

Given the newness of the 2017 reform, it is too early to predict with certainty where it will lead, so we limit ourselves here to looking back at the recent past. Researchers such as Alfonso Bouzas, as well as author Tilly in some earlier work, have singled out retail as a particular hotbed of protection contracts.[30] Indeed, Arturo Alcalde, one of Mexico's leading labor law experts, asked rhetorically, "Who knows of a single democratic union of restaurants, janitors, offices, or retail stores?"[31] Roxborough and others have sharply contested the standard account, pointing to evidence from a variety of sectors, though not retail.[32]

What's actually going on in Mexican retail unions? To answer this question, based on retail union contracts from four cities in three Mexican states and the Mexico City Federal District[33], author Tilly (2014) shows that the unions in retail *are* in many cases winning gains for workers, though the gains are limited.[34] Tilly found that, while the collective bargaining contracts are fragmented among numerous competing unions (sometimes even within a single company in a single city), there is substantial variation in wages for the same occupation within contracts, and substantial percentages of contracts that specify levels beyond the legal minimum for benefits. For instance, the contractual entry wage for a sales floor worker ranges as high as three times the legal minimum wage, and the highest level of cashier entry wages is eight times the minimum; two thirds of contracts offer more vacation days than the legal minimum. Contract contents appear to reflect the relative power or militancy of different unions.

Most tellingly, the large subset of contracts available sequentially over time (for periods ranging from two years to 18) show a great deal of change in non-wage benefits over time—again, without any changes in the legal requirements. Long runs of contracts from two companies tell particularly compelling stories. At the Oxxo convenience store chain in León, Guanajuato, a union attached to a small, nominally independent labor federation secured steady increases in non-wage compensation over the full run of contracts, 1988-2003, and obtained higher wages *relative to area competitors* in the late 1990s and maintained that higher level going forward. At the single Gigante hypermarket in the capital city of Tlaxcala, with a union affiliated with the Mexican Confederation of Labor (the federation most closely tied to the ruling party, PRI, and most dependent on the government even during the twelve years the more economically conservative PAN ruled), benefits and relative wages rose almost as long. Strikingly, both contracts added provisions that suggest an active union: enough copies of the contract to give to all workers at Oxxo; and leave with pay for union business for worker representatives at Gigante. Perhaps even more strikingly, pay and benefits at Gigante shifted from increases to decreases in 2002, the year a Wal-Mart with a protection contract opened a few blocks away.

To fully interpret these findings, it helps to counterpose them with evidence from retail worker interviews from our cross-sectional study. In almost all chains, unions were absent or had a minimal footprint. Even where a union was present, workers and even store-level managers were often unaware of it. Particularly poignant were the comments of three department store clerks (interviewed jointly) who, unaware they had a union in their store, commented on what difference a union could make:

> *Interviewer:* Does having a union make a difference?
>
> *Employees:* They help the worker more. They respect holidays. Without a union, sometimes we have to work on holidays. With a union, you receive a dinner, a transportation bonus, and uniforms. You get all the fringe benefits.

The only evidence of a union committed to serious bargaining and accountability to workers was in the government-owned ISSSTE stores—a very special case.

In combination with the contract contents that indicate frequent, though limited, variation in effectiveness from the norm of weak unions, these patterns suggest that even retail unions that are virtually unknown to their members can at least from time to time extract concessions beyond the base levels required by law—thus going beyond the literal definition of a protection contract. Nevertheless, unions that both interact with members and steadily bargain for better contract terms appear to be rare. The widespread invisibility of retail unions to employees helps explain why retail union density was reported at 1.4 percent in a worker survey in 2002[35]—a rate we suspect is grossly under-reported.

In short, there are similarities between retail unions in the United States and Mexico, but the differences loom larger. Both countries share *variation* within organized labor in their retail sectors. This is not surprising, given that both have relatively decentralized unions and enterprise-by-enterprise bargaining in contrast to Denmark or France, for example.. Yet, importantly, they differ in the degree to which the unions are accountable to workers and represent their interests. U.S. retail unions, shaped by organizing roots stretching back to the AFL in the late 19th century and the CIO upsurge of the 1930s and 1940s as well as by Wagner Act provisions designed to give workers a voice in choosing their union and its leadership, pretty consistently answer to workers and advocate for their interests, though often interests narrowly construed, and defended with varying degrees of effectiveness. Mexico's retail unions, in contrast, have tended toward a version of the country's corporatism that entails little internal democracy (or in many cases even little visibility of the union!) and limited militancy toward employers or the government—although again with significant variation and some striking exceptions. The degree of variation we found within unionized retail in the United States and especially in Mexico where we had a large sample of contracts, tells us that difference in union strategy matters for job outcomes. In comparing retail jobs in the United States and Europe, we have emphasized both broad institutional differences and within-country variation in *corporate* strategy; this look within unionized companies in the United States and Mexico reaffirms the importance of national institutions, but also highlights the importance of differences in *union* strategies within a given institutional context.

Job quality in informal retail enterprises in the two countries

Retail doesn't just include the Wal-Marts and Krogers, but also more informal outlets such as farmers' markets, street vendors, and small-scale trade triggered by online emporiums such as eBay. As informal retail, in these forms and others, expands in the United States, we can learn from Mexico's vast array of informal selling. The comparison is instructive for U.S. observers in three ways. First, informal retailing is a relatively undeveloped alternative for U.S. workers (and consumers), but the Mexican example helps us understand what the world of retail work can look like when informal retail offers a large and relatively viable employment alternative. Second, informal retail appears to be on the rise in the United States, so examining its Mexican counterpart can yield insights about possible future trajectories of that work. Finally, at present recent immigrant populations, especially those from Mexico and Central America, are overrepresented in U.S. informal commerce, and comparison with the home-country case can help us make sense of these workers' informal retail workplace experiences in the United States.

To explore informal retail, it is crucial to distinguish between two types of informality. *Enterprise informality* denotes what is sometimes called the informal sector: "off-the-books" enterprises that do business without registering with the government for taxation and other purposes.[36] *Employment informality* refers to remunerative work in which standard labor laws and social protection do not *apply* or are not *enforced*.[37] Informal employment includes both self-employment and wage employment in formal as well as informal businesses.[38] Since the distinction between formality and informality is not crisp, various analysts mobilize the concept of a *spectrum of formality*.[39] This notion is particularly apt in Mexico, with its many forms, varieties, and mixes of informal retail.

In Mexican commerce[40], both enterprise informality and informal employment in formal enterprises are common, totaling 61 percent of total retail employment, with enterprise informality making up by far the larger share (more than two thirds of the total). Women account for a significant majority (57 percent) of those employed in informal commerce (statistics from the first quarter of 2015, from INEGI 2015). Tilly and colleagues also document an increase in the rate of informal employment in Mexican retail over time.[41] We have no comparable source of data in the United States. However, the growing body of ethnography of recent immigrants street vending[42] and the concomitant emergence of organizations of vendors[43] along with the emergence of internet platforms such as eBay that facilitate sales by less formal entrepreneurs, suggest a sizable and growing level of enterprise informality. We have already presented evidence of informal employment practices—i.e. non-adherence to labor law—within formal retail in the US, and in the rest of the section we focus on informal *enterprises* in both countries.

We only conducted field research on informal retail enterprises in Mexico, but as noted above, our findings from Mexico's much larger constellation of informal retailing hold lessons about U.S. retailing, as well as for Mexico itself. To draw out these lessons, we first sketch key findings from Mexico, then reflect on U.S. patterns and trends. Our main Mexican source here is the 2006-08 longitudinal survey of food retail workers in the state of Tlaxcala, which deliberately sampled all major retail channels. Secondarily, we draw on our in-depth retail manager and worker interviews from a dozen informal or relatively informal enterprises around Mexico from the cross-sectional study.

Informal retailers in Mexico

The types of Mexican retailers that we classify as informal include, from most formal to least formal (along a "spectrum of informality"):

- Family-owned and operated ("mom and pop") stores. Employment in such stores is informal (including much unpaid family labor), and so are the businesses themselves. For example, the proprietor of three small clothing stores managed by him and other family members told us he reports only half his sales to the government.
- Stands in public markets (roofed market structures with permanent stands in fixed locations, typically operating seven days a week). Building-based, government-sponsored public markets date back to the 19th century in Mexico.
- *Tianguis* stands. The *tianguis* is an open air market operating one day a week in a given location and requiring a permit to sell. Most *tianguistas* sell at multiple *tianguis* on different days of the week.
- "Independent" vendors selling from mobile carts, unauthorized locations, their own homes, or at other people's homes. Some are independent contractors for large

corporations, for example people selling phone cards at intersections or vendors of branded merchandise such as popsicles.

The longitudinal Tlaxcala study revealed several important things about workers in these informal varieties of retail. For one thing, there is a great deal of variation in standard job quality indicators across and within these categories. For example, public market vendors in the study earn on average 25 percent more per day than mom and pop store workers and independent vendors, and 30 percent more *per month* than *tianguistas*, who sell on fewer days. The category-wide averages conceal wide income differences *within* categories, with the highest-earning *tianguis* vendor earning nine times as much monthly as the lowest-earning (other than unpaid family members).

Informal work is usually viewed by economists as inferior to formal work in key job quality dimensions.[44] In Mexico in particular, the sociologist Bejamin Temkin finds that informal employees in a worker survey are less satisfied and feel less in control of their work and lives than formal workers, but the informally *self*-employed (mostly "own-account" workers, but also including a minority who employ a small number of others) are the least happy of all.[45] In this context, it is remarkable to note that in our Tlaxcala longitudinal study, all informal retail categories averaged higher daily *and* monthly earnings than non-supervisory employees in retail chains. Chain managers and supervisors, on the other hand, averaged more than twice as much per day as the public market workers, the highest paid of the informal groups. In short, in terms of compensation the gap between workers and their managers within formal retail far exceeds the gap between workers in formal retail and those in informal retail. The 2003-04 cross-sectional study sample, which included clothing as well as food stores, showed similar results (Table A1.1).

Between 2006 and 2008, the period of the Tlaxcala longitudinal study, most groups of workers in informal retail enterprises saw reduced earnings. The U.S. recession that began in early 2007 was spilling over into Mexico, including Tlaxcala. But workers in different categories of informal establishments fared very differently: public market vendors saw their earnings rise a handsome 68 percent, while the other informal groups experienced earnings tumbles ranging from -6 percent (independent vendors) to a catastrophic -37 percent (*tianguistas*). Meanwhile, non-managerial chain store employees saw pay climb 22 percent. Public market vendors probably gained in part due to Mexican shoppers "trading down" from formal retail to save money. The groups of vendors who lost out blamed heightened competition from two ends. First, there was a continuation of earlier competition from expansion of formal retail, including the expansion Wal-Mart across the state. Second, economic hard times and Mexico's chronic slow formal employment growth precipitated increased crowding of added sellers into the *tianguis* and independent vending—not an issue in the public market, where the number of stalls is fixed. Though the most successful street vendors make a good living, for the majority selling on the street is a last-resort employment option, as affirmed by Teja, López, and Barragán's survey of informal retail workers in the city of Texcoco, who mainly explained their entry into informal retail by lack of other work (44 percent) or lack of education or skills (29 percent).[46] In our Tlaxcala survey, Elizabeth[47], proprietor of a *tianguis* stand, complained, "The disadvantages [of this line of work] are the competition. Here there's lots of vendors, lots of *tianguistas*, almost more vendors than customers! Lots of *tianguistas* and lots of itinerant vendors." As for competition from the chains, Melisa, who ran a stand in the public market, stated that when a Wal-Mart opened nearby in 2002, her sales immediately dropped $6.50 (US) per day—the equivalent of her entire average daily net earnings in 2007. Ominously, many *tianguistas* themselves reported attempting to make up income losses by selling on more days or working with family members to open an additional stand, further fueling competitive pressure.

Further suggesting a lack of other options, mobility out of *tianguis* posts during the 2006-08 longitudinal study was zero[48]. Public market and independent vendors remained nearly as fixed within informal retail, whereas only 45 percent of workers in mom and pop stores and only 25 percent of non-supervisory chain store workers stayed in the same job over the two year period. Our survey also asked retail workers in 2006 about their economic aspirations—such as opening or expanding a business, gaining a promotion or finding a better job, or saving for a home or other major expense—and then tracked their degree of success in achieving these aspirations by 2008. As Table A1.3 shows, among workers in informal retail only those in mom and pop stores had success comparable to formal retail workers. *Tianguis* workers and independent street vendors had dramatically lower success rates than others, with very few advancing at all toward hoped-for goals.

Table A1.3: Aspiration Achievement by Sub-sector among Mexican Retail Workers

	Chains	Chains: Supervisors	Chains: Non-supervisors	Supplier Services	Mom and Pops	Public Market	*Tianguis*	Indep. Street Vendors	Total
% of people with some progress toward any aspiration	54%	50%	58%	60%	55%	50%	13%	18%	42%
% of total aspirations on which there was progress	33%	32%	33%	40%	35%	17%	6%	11%	25%

Note: From field research (longitudinal survey) by authors. Aspirations stated in 2006, achievement as of 2008.

Despite the escalation of competition, informal retail channels are in little danger of disappearing. They are more affordable sources of produce than chain stores. According to the Michoacán state government, *tianguis* produce prices are 30 to 40 percent lower than in other retail outlets.[49] Melisa noted that competition from the chains "doesn't affect us [produce vendors] *that* much, for example, when tomato prices go up they sell them at a much higher price than we do." Moreover, in Mexico there persists a strong culture of frequent small purchases of fresh food and social interaction with accustomed vendors.[50]

Informal retail in Mexico will continue to pose a viable, if marginal, alternative for Mexican retail workers for the foreseeable future.

Informal retail in the U.S.

In the United States, *employment informality* is widespread, though it does not attain Mexican proportions; *enterprise informality*, on the other hand, is far less prevalent than in Mexico—or for that matter most other countries. In the land where the supermarket was born (Piggly Wiggly, in Memphis in 1916), formal channels dominate. But informal modes of retail persist, with unincorporated self-employment, one imperfect indicator of enterprise informality, standing at 5 percent of retail employment (compared to 7 percent economy-wide) in 2009, a far cry from Mexico's 55 percent.[51]

Indeed, some old and new informal ways of selling are on the rise. In a revival of an age-old informal marketplace, farmers markets shot up by about 3,000 nationwide between 1994 and 2008, reaching 4,685 in the latter year[52], continuing a trajectory of growth that has eclipsed all earlier expansions.[53] Municipal government support has fueled this growth spurt. On the new side, eBay is a household word (recognized by 98 percent of adults in a recent survey[54]). Of course, the enterprises eBay hosts are not fully informal—transactions are visible to taxing authorities—but the hyper-fragmented, low-infrastructure, self-employed merchants so prevalent on eBay have much in common with "purer" versions of informal retail. eBay reportedly provides a viable living for some consumer-resellers, though interestingly the platform has also—and increasingly—become a marketing channel for formal retailers.[55]

But the most fascinating U.S. parallel with Mexico's exuberant informal retail enterprise sector is the apparent resurgence of street vending extending far beyond high-end, regulated-origin farmers markets. Some recent scholarship has examined African American street vendors, serving black communities underserved by conventional retail, and themselves typically unable to access capital to launch a fixed-site store.[56] However, the lion's share of research has focused on immigrant street vendors, above all Latinos borne by the recent large migration wave. Analysts have documented immigrant street vendors in New York[57], Chicago[58], and especially Los Angeles[59]. Some of these urban accounts show vendors making decent living, but others depict people turning to street vending as a last resort and eking out a living on the edge of survival, much like the low-end vendors in our Mexican longitudinal survey.[60] Researchers have discovered the conversion of existing flea markets and swap meets to Mesoamerican-style *tianguis* in San Jose[61] and more than a dozen agricultural communities in California's San Joaquin Valley[62]. Chicago, New York, and Los Angeles have shut down informal street markets[63], but in many cases vendors doggedly relocate.[64] Most likely scholarly work to date is just scratching the surface on this phenomenon.

Much of this literature foregrounds cultural and spatial facets of U.S. street vending, but a subset considers the economics. The predominant finding is that street vending is pursued by those with major barriers to formal employment (especially the undocumented) and/or minimal access to capital that could permit them to establish a conventional store. Jones[65] and Rosales[66] 2013 find little or no mobility in the African American and Mexican vendor populations they examine. But some of Palerm's central California *tianguistas* do go on to establish stores, in some cases continuing to sell through the *tianguis* as well.[67] And studies of vendors in prime locations—such as Chicago's Maxwell Street Market before it was shut down and relocated[68] or New York's 14th Street[69] find vendors earning a decent living. John Gaber, in his research on Manhattan's 14th Street vendors, depicts the particular advantages of "stoopline" vendors who "rent" space in front of a store from the proprietor, and unlike other vendors are left alone by police, despite the fact that this sidewalk activity is equally illegal.[70] Rosales, in her study of fruit vending in Los Angeles, particularly remarks on the dominance of small-scale wholesalers who provide carts and fruit to frontline vendors[71]—an interesting echo of a finding in our longitudinal study that moving upstream to wholesaling was a major mobility strategy undertaken by Mexican informal retailers. In other words, as in Mexico, the fragmentary evidence from the United States suggests stratification of informal vendor earnings and mobility.

Differences in informal retail jobs between the two countries

This comparative discussion of enterprise informality started by identifying three important axes of comparison. First, is U.S. informal commerce an important alternative source of retail employment as it is in Mexico? Certainly in the United States, as in Mexico, street vending is an option for some who have limited alternative employment options. But there are important differences. In the United States, street vending remains isolated and for the most part marginal, in contrast with its ubiquity and centrality to the retail distribution system in Mexico. In most of Mexico, consumers spread daily and weekly purchases among a large number of small retailers that often include vendors within the local *tianguis* and public market as well as outside them, in addition to formal super- and hypermarkets. The scale of the informal commerce employment option in the United States is much smaller. Correspondingly, the U.S. informal retail workforce particularly incorporates those with the fewest alternatives, such as undocumented migrants or unemployed and underemployed African Americans, whereas in Mexico it includes a broader swath of participants who pursue it either as a livelihood or as an important supplement to other sources of household income. The U.S. exceptions—large open air markets in California immigrant communities, growing numbers of farmers' markets, eBay micro entrepreneurs—are notable precisely for being exceptions.

A second question: how does Mexican migrants' involvement in street vending in the United States compare with comparable activities in their home countries? The accounts of Palerm[72] and others make a convincing case that much U.S.-based Mexican street commerce replicates its Mexico-based sectoral counterpart in economic and cultural terms. But again, there are important differences. For one thing, because lack of U.S. work authorization is a key selector into vending, the labor supply appears to cut more across classes than is typical in Mexico, taking in persons with more education or assets who might be unlikely to take this work on in Mexico, but undertake it in the United States due to undocumented status. This does not mean that informal commerce is a great equalizer for Mexican migrants—it is highly stratified, as indeed it is in Mexico. However, it seems likely that Mexican street vendors in the United States include a larger slice than in Mexico at higher levels of skill, education, and assets (because of migration status and the greater expense of setting up a fixed-location business in the United States) and a smaller slice at the low end (the most economically marginal groups do not have the resources to migrate).

Additionally, though street vending outside of designated areas (such as a farmers' market or *tianguis*) is not authorized in either country, U.S. cities tend to have more rigorous regulation of public space, whereas in Mexico such regulation is more discretionary, driven by past practice, and subject to patronage deals.[73] Thus, while in Mexico one can find unauthorized informal markets in central and historic areas of cities and virtually every major transit hub, in U.S. cities vending outside of authorized zones tends to be confined to poor, often immigrant areas, and/or subject to unpredictable enforcement—leading Cupers to describe spatial mobility (staying one step ahead of the police) as the main form of street vendor agency.[74]

Finally, should we expect continued growth of informal retailing in the United States? That depends on several factors. It depends, first, on future migration inflows—which fell off significantly during the late 2000s recession and may well be further curbed by Trump administration policies—since such flows feed both supply of street vending labor and demand for street vending services. Second, the degree of economic growth or stagnation also shapes the labor supply side. Slow growth boosts the number of unemployed and out of the labor market persons who may find informal retail the best available option. Third, on the demand side, informal retailing could be fueled by continuing shifts of consumer preferences toward fresh, local, and "authentic" food (and other products), and toward multiple small shopping trips to varied outlets. Fourth, also on the demand side, informal retailing could grow to the extent that large economic actors opted for a "fissured" organizational strategy that links concentrated wholesale power to many small, potentially informal retail units, as in the fruit vending case. These four factors all describe contemporary Mexico: rural-to-urban migration, tepid growth over the last few decades, strong preferences for fresh food purchased from multiple small outlets, and fissuring of a substantial subset of the retail sector. A final factor is the extent to which public policy—primarily at the municipal level—tends to suppress street vending (as is currently the predominant case in the United States), tolerate it, or even promote it (as is currently done with U.S. farmers' markets and the occasional street or craft fair).

Retail job quality in the United States and Mexico: Economic and institutional drivers of difference

Our comparison of U.S. and Mexican retail jobs extends our analysis of the roles of economic and institutional factors in shaping retail job quality. To be sure, the large economic differences between the two countries shape the nature of retail employment. Mexican retail workers, like Mexican workers in general, receive markedly lower levels of compensation. A lack of economic alternatives impels large numbers of less-educated workers into informal retail enterprises, and impels relatively educated workers into frontline retail jobs. A very large population of low-income and lower-middle-income consumers seeking affordable shopping options underpins the persistence and in some cases resurgence of informal retail channels such as the *tianguis*. But institutional differences are also key in establishing the divergent characteristics of store-based jobs between the two countries.

Our scan of points of contrast signals the importance of societal effects—laws, institutionalized organizational structures, and norms regarding hierarchy, entrepreneurship, and gender roles. The *laws* that matter include Mexico's federal-level labor law, which sets the daily minimum wage, 48-hour work-week, and universal social security system that steer Mexican formal retailers toward extending rather than shortening work hours, as compared with the United States' hourly minimum wage, 40-hour week, and patchwork of social protection that relies heavily on employer-provided health and retirement benefits, all of which encourage or at least facilitate the expansion of part-time employment. State and local policies also factor in, as when local U.S. governments promote farmers' markets; the populous Mexican state of Michoacán has promoted development of added *tianguis* to make affordable food more widely available.[75] And not just laws, but their differential enforcement, alter job outcomes. Informal vendors in many areas of U.S. cities face a level of enforcement that compels them to constantly relocate to stay a jump ahead of law enforcement. In Mexico, political bargains to relax the law are more easily achieved (further developing "exit options" to use the phrase describing how retail interacts with institutions in high income countries). Spatial-organizational structures—reflecting history and social norms—are also important: urban planning in Mexican cities builds in public markets and *tianguis* as well as malls.

The central *institutionalized organizational structure* affecting job quality is the role of unions. In Mexico's formal retail sector, unions are relatively easy to establish, but also have been relatively easy for employers to subvert via protection contracts, given Mexico's long tradition of corporatism. In U.S. retail, unions are embattled, and risk extinction unless they develop new and more successful organizing approaches.

Norms also structure retail work. Mexican gender norms pull more women out of formal work during child-bearing and -rearing years. The principle of "a day's work for a day's pay" bolsters unpaid overtime hours. Mexico, accustomed to starker work hierarchies, seems to tolerate more unequal pay between the top and bottom workers in stores. The value Mexican households place on fresh food helps sustain fragmented, relatively informal food outlets throughout residential areas. And some of these norms travel north with Mexican migrants, for example yielding the proliferation of Mexican-style *tianguis* in U.S. areas heavily populated by migrants.

Even some of the economic factors include important institutional ingredients. In Mexico, people without formal employment options move into informal enterprises (and for that matter into informal employment in formal enterprises) in part because Mexico lacks an unemployment insurance system and because the Mexican government tolerates widespread informality as a safety valve rather than enforcing laws that would inflict economic costs.

Thus, national institutions help determine U.S.-Mexico differences in retail jobs. But as we discussed in the previous two chapters comparing the United States with Western Europe, their expression in retail is *national-sectoral* in character, with particular norms and practices flourishing in ways distinctive of retail. Mexican formal retail employers are more likely than others to put employees to work for the full 48-hour work-week permitted by law (contributing to longer average hours in retail). The cultural value of fresh food weighs more in retail than in most economic sectors, for obvious reasons. And the low level of capital investment required to enter the low-end of informal retailing makes it a favored form of informal enterprise: our longitudinal survey included households who literally buy merchandise from larger outlets and sell it at a markup out of the front of their houses, in a sort of "micro-convenience store."

As we have emphasized throughout the book, general tendencies are constantly tempered by variation across employers. Particularly striking in our data is the variation, across regions and employers within both countries, in the degree of union impact on improving compensation and working conditions. Within country variation stems from the dispositions of union leadership, and from their respective employers' willingness to compromise, as well as regional variations in law (such as state right-to-work in the United States). The varied forms of variable pay in Mexican grocery chains appear to be influenced by spatially grounded learning processes, and Convenimax's smaller management-labor pay gap may be mediated by U.S. ownership—echoing corporate learning processes that have diffused "exit options" among U.S. and European retailers, and the greater prevalence of higher quality employment practices among privately owned, and especially family controlled, retail companies in the United States.

The specific divergences between U.S. and Mexican retail jobs differ from U.S. divergences with various European countries. But the processes determining the divergences are similar. Institutions—laws, institutionally structured organizations, norms—define the roads that are easiest for employers to follow, and set rules of the road. National and sub-national institutions are not fixed, but change in response to pressure from economic actors and policy entrepreneurs or changes in popular opinion: just as the Affordable Care Act shifted requirements for U.S. employers, 2012 and 2017 labor law reforms in Mexico changed long-standing rules, and Mexican corporatism tilted away from unions and toward conditional cash transfers starting in the 1980s.[76] Mexican gender norms are changing as well. But the relevant institutions are slow-changing, and account for durable differences in retail work across the two countries.

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Notes

1 Figures as of 2013, from World Bank 2015a,b.

2 See Denham and Tilly 2015 for a more detailed description of the longitudinal survey's methodology.

3 INEGI 2010. The Mexican Economic Census combines the two groups. Tilly and Álvarez (2006) found that the self-employed accounted for four-fifths of that combined group in 2003.

4 2003 figures from Tilly and Álvarez 2006.

5 The analysis that went into the table strongly confirmed the importance of speaking with a range of respondents at a company, including both managers and workers. For example, at a convenience store chain we call Día y Noche, a store manager told us that his employees started at a base salary of 1200 pesos per *quincena*. We then spoke to three employees, all recent hires, who had begun at 1000, 950, and 690 pesos, respectively! At another Día y Noche store, the husband-and-wife team of managers claimed zero turnover in the last year, whereas an employee counted out the number who had left and came up with 100 percent. Results like this also cast some doubt on Mexican government data sources such as the Survey of Retail Establishments, which depend on manager reports.

6 Cross-sectional study consisted of interviews conducted in 2003-04 with executives, managers, and employees of retail businesses in in the states of Coahuila, Guanajuato, Michoacán, Nuevo Leon, Puebla, Queretaro, and the Distrito Federal (Federal District, i.e. Mexico City). Working from biweekly salary figures except hourly in the case of baggers. For non-baggers, hourly wage was imputed by dividing by 96 (standard work week in retail is 48 hours). Pesos were converted to dollars by dividing by 11.29, the annual average exchange rate in 2004 when the vast majority of the data were collected. For two companies that declined to report salary levels, these levels were obtained from union contracts.

7 As we discuss below, Mexico's minimum wage is set by the day. We convert the minimum wage to hourly by dividing by the standard working day of 8 hours, and then convert to dollars by dividing by the annual average exchange rate of 11.29 in 2004 (the year when the great bulk of the data were collected). Mexico's minimum wage differs by geographic area; here we cite the lowest minimum wage, which applies to the great majority of cases. In any case, the highest, which does

apply in some cases, was 54 cents. Calculations involved in the hourly earnings figure are described in the Note to Table A1.1.
[8] Doyle 2014.
[9] Muñoz 2014.
[10] Mexican data are from the Economic Census. 2003 data from the National Employment Survey give similar results (Tilly and Álvarez 2006).
[11] There was a political push to convert to an hourly minimum wage as part of a 2012 reform of Mexican labor law, but in the end the policy was left unchanged.
[12] Dion 2010, Levy 2008.
[13] However, some retailers do avoid providing social security and other benefits by creating informal businesses—and in many cases simply fail to provide benefits to *any* employees.
[14] *Sources: U.S.* Bureau of Labor Statistics 2015a, INEGI 2010.
[15] Names of companies that participated in the Mexican cross-sectional study are pseudonyms, as in the United States, with the exception of the government-run ISSSTE chain. In cases where we accessed companies "from below," without management approval (all of the longitudinal data, and some cross-sectional cases), we report the actual names; we flag these cases in the narrative.
[16] See, for example, Associated Press 2009.
[17] Bernhardt *et al.* 2009. This finding refers to those working in grocery stores of all sizes, and the low-wage worker sample oversamples employees of smaller stores.
[18] U.S. figure is the mean for all workers, 2009 annual average. Mean for hourly employees alone is $13.01. Sources are U.S. Bureau of Labor Statistics 2015a, INEGI 2010.
[19] Ten in the US, 13 in the Mexican cross-sectional study; not all chains provided sufficient wage and salary data
[20] INEGI, Censo de Población y Vivienda 2010: Tabulados del Cuestionario Básico, created 2/2011.
[21] The one exception was a food retailer with a low turnover of 20% that retains workers by exceeding prevailing wages and benefits.
[22] E.g. Rendón 2004.
[23] Broder 2003.
[24] Greenhouse 2011b.
[25] UnionStats 2015. A small but interesting contrast to the predominant pattern is that pharmacies remain 5.6% unionized and liquor stores stand at 6.3%, up from 4.0% in 2000.
[26] Among other things, UFCW joined the 2005 breakaway from the AFL-CIO of the Change to Win federation, a coalition of unions in spatially anchored industries proposing dramatic increases in resources going to organizing in immobile industries such as retail. The UFCW rejoined the AFL-CIO in 2013, but continues to espouse a stronger focus on organizing.
[27] Roxborough 1984.
[28] Bensusán and Cook 2003, Blanke 2007, Bouzas 2009, Caulfield 2004, Xelhuantzi 2006.
[29] Alcalde 2017a,b.
[30] Bouzas and Reyes 2007, Bouzas and Vega 1999, Tilly and Álvarez 2006.
[31] Alcalde 1999, p.73.
[32] See Tilly 2014 for a review.
[33] The cities are Mexico City; Guadalajara, Jalisco; León, Guanajuato; and Tlaxcala, Tlaxcala. Contracts from the first three cities were obtained in 2004, and Tlaxcala contracts were reviewed in 2007. For more details on methodology, see Tilly 2014.
[34] Tilly 2014.
[35] The most recent year for which published results are available; Esquinca and Melgoza 2006.
[36] Hart 1973.
[37] Castells and Portes 1989.

[38] Yet another retailing distinction cuts between selling licit goods and illicit ones, such as illegal drugs; here we limit our attention to sales of licit merchandise.
[39] Cobb, King, and Rodriguez 2009, Marcelli, Williams, and Joassart 2010.
[40] Available statistics are for "commerce," combining retail and wholesale, though retail makes up the great bulk of employment in commerce, accounting for 82% of the total in the 2009 Economic Census.
[41] Tilly *et al.* 2014.
[42] E.g. Dunn 2014, Morales 1997, Palerm 2010, Rosales 2013.
[43] Street Vendor Project 2015.
[44] E.g. Fields 2004.
[45] Temkin 2009.
[46] Teja, López, and Barragán 2012.
[47] All names from the longitudinal survey are pseudonyms.
[48] This is among workers we were able to locate in subsequent years (a total of 65 of the 91 workers surveyed in 2006). We used addresses, phone numbers, and contact information for parents, as well as returning to the original retail site, to track down workers.
[49] Galicia 2013.
[50] Harner 2007.
[51] Source for the United States: Hipple 2010. In Mexico, as noted above, 55 percent of retail workers were self-employed or unpaid family workers in 2009 (Mexico's Economic Census combines the two groups; INEGI 2010).
[52] McCormack *et al.* 2010.
[53] Brown 2001.
[54] Bracha and Burke 2014.
[55] Loeb 2013a.
[56] Jones 1988.
[57] Gaber 1994, Dunn 2014.
[58] Morales 2009.
[59] Rosales 2013, Sarmiento 2015.
[60] Vives 2016, and Denham and Tilly 2015.
[61] Browne and Durrum 2011.
[62] Palerm 2010.
[63] Loukaitou-Sideris and Ehrenfeucht 2009, Morales 2009.
[64] Cupers 2010.
[65] Jones 1988.
[66] Rosales 2013.
[67] Palerm 2010.
[68] Morales 2009.
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