The Impact of NAFTA on Training and Development in Mexico: The Perspective of Mexican Senior Government Agency Officials

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This study explored the perceptions of Mexican senior government agency officials with regard to the impact of NAFTA on training and development practices in Mexico. This study was conducted using a qualitative research design. Based on the participants’ perceptions, NAFTA motivated the creation and development of national programs for training and development. The Mexican government has found in these programs a means to provide support to Mexican companies to increase their competitiveness.

Keywords: Human Capital Theory, NAFTA, Training and Development.

Globalization has changed the way to do business. More companies everyday are becoming aware of the importance of participating in the global market. Globalization generates new opportunities for organizations that want to participate in foreign trade (Cox, 2005; Friedman, 2000; Rothwell, 1997). International free trade agreements have brought not only opportunities but also challenges to companies attempting to participate in the global market (Cox). In the particular case of Mexico, the North American Free Trade Agreement (NAFTA) has impacted the life of Mexican companies. NAFTA was signed in 1993 between Mexico, the United States, and Canada with the purpose of creating a free trade market for products and services that would ensure the gradual elimination of tariffs (United States Department of Labor, 1993).

There have been different challenges that Mexican companies have faced in order to take advantage of the benefits associated with NAFTA. Mexican companies have had to be very competitive in order to be able to participate in international business with the United States and Canada. Only through extraordinary levels of performance and a commitment to produce high quality products can manufacturing firms gain competitive advantage in the global business environment (Subba-Rao, Raghu-Nathan, & Solis, 1999). As indicated by McDermott, Mikulak, and Beauregard (1993), in order for companies to accomplish world class quality, it is essential to develop the workforce to its fullest potential.

According to Jennings and Moore (1995), investing in the development of employees has been imperative for companies that attempt to compete in a global market. In fact, when NAFTA was signed in 1993, the governments of the United States, Canada, and Mexico agreed on complementing the economic opportunities created by NAFTA with human resource development (HRD) practices (United States Department of Labor, 1993).

Problem Statement

Training and development practices have been identified as a contributing factor to the empowerment of workers, which leads to world class quality (Subba Rao, Raghu-Nathan, & Solis 1999). NAFTA has forced Mexican companies to be more competitive. However, even though training and development practices can have a significant impact on Mexican companies by increasing productivity, there exist few, if any studies examining the impact that NAFTA has had on training and development practices in Mexico. Research that explores the link between NAFTA and training and development practices in Mexico is needed. The few authors (e.g., Beck, 2001; Dooley, Paprock, Shim, & Gonzalez, 2001; Hernandez & Lanksher, 2002; Subba-Rao et al., 1999) who were identified to have addressed training and development in Mexico emphasized the importance that NAFTA has had on Mexico and the need for Mexican companies to address the use of training and development practices.

The purpose of this qualitative study was to explore the perceptions of Mexican senior government agency officials with regard to the impact of NAFTA on training and development practices in Mexico. By describing participants’ perceptions regarding NAFTA, the researcher explored if NAFTA has been perceived as a driver for training and development of human resources in Mexico.

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Theoretical Framework

This study has been guided by the general systems theory and the human capital theory. Weinberger (1998) indicated that the performance paradigm of HRD holds that the purpose of HRD is to develop the organizational system. HRD practices improve the capabilities of individuals in the organization, and thus, the organizational system in which individuals perform. McLean (2001) indicated that systems theory is useful in understanding the role of systems in helping organizations and countries in taking advantage of the economic opportunities created by globalization.

Solis, Raghu-Natan, and Subba-Rao (2000), stated that organizations all over the world are facing rapid changes from environments that are becoming more complex and unstable. One of the factors that has had the greatest impact on organizational environments is globalization. NAFTA has transformed the business rules for Mexican organizations by forcing them to operate under a very competitive environment at the national and international levels (Solis et al.). It is expected, based on the systems theory, that HRD interventions, such as training and development, are playing a significant role in helping organizations face the challenges and opportunities created by NAFTA.

According to Swanson and Holton (2001), human capital “refers to the knowledge, expertise, and skill that accumulates through education and training” (p. 109). Human capital theory relies on three main assumptions that provide the framework to this study. The first assumption is that education and training lead to learning. Therefore, capital invested in education and training will enhance learning. The second underlying assumption of human capital is that learning translates into productivity. The third assumption indicates that increases in productivity lead to better salaries for employees and more gains for the organization (Swanson & Holton). According to the theory of human capital, training and education increase productivity by equipping the workforce with proficient skills, knowledge, and attitudes (Aliaga, 2001).

Zidan (2001) indicated that human capital theory considers human capacities such as knowledge and skills as fundamental components of the capital of a country. He added that the effects of developing human resources go beyond individuals and organizations; these effects have the potential to impact the economy of a country (Zidan). Hongendom (1996) pointed out that, according to the human capital theory, investments made on developing the capabilities of the workforce through training provide economic returns for the organization and for the country. Based on the human capital theory, training contributes to increased competitiveness of the organization. Training is the most tangible aspect of human capital theory. According to the human capital theory, training enhances the knowledge, skills, and attitudes of the labor force to make it more competitive. By doing this, training increases productivity, which leads to an increase in economic gains (Zidan).

NAFTA and Training and Development in Mexico

Research that explicitly studies the impact of NAFTA on training and development in Mexico was not identified. However, there is research that suggests that NAFTA has been a driver for HRD interventions with emphasis on training and development in Mexican companies (e.g. Beck, 2001; Hernandez & Lanksher, 2002; Subba-Rao, Raghu-Nathan, & Solis, 1999; World Bank, 2006). The World Bank (2006) stressed that it is essential that Mexico develop its workforce in order to take advantage of the economic opportunities created by NAFTA. In fact, the World Bank, in conjunction with the Mexican government, has designed a Country Assistance Strategy (2004-2008) in which the improvement of the workforce skills is considered essential as a means to increase the competitiveness of Mexico. Moreover, this strategy emphasizes the importance of the creation of public policies that support the improvement of competitiveness in Mexico.

Beck (2001) indicated that NAFTA could work as an economic engine for the development of a new organizational structure that could strengthen labor in the Americas. Beck proposed a new HRD organization model that coordinates training and credential tasks through NAFTA. According to Beck, free trade agreements such as NAFTA have an impact on the economic health, regional stability, and the development of social institutions. Beck suggested that adult education is necessary in order to take advantage of the economic opportunities related to NAFTA. The new organization created by NAFTA needs to embrace learning as a means for economic development. Beck suggested that training plays a significant role in economic development since it improves the skills of the workforce through learning.

Subba-Rao, Raghu-Nathan, and Solis (1999) suggested that NAFTA is a motivator for Mexican companies to conduct HRD practices as a means to achieve total quality. Dooley, Paprock, Shim, and Gonzalez (2001) also suggested that NAFTA played a role in encouraging Mexican companies to look at HRD practices. Dooley et al.
stated that “an important commitment of the signing of the free trade agreement (NAFTA) was the collaboration specifically in the educational and professional training fields” (p. 19).

Hernandez and Lanksher (2002) suggested that as a consequence of NAFTA the Mexican government needs to make integral adjustments to its agenda and include the development of a highly educated workforce. Training is essential to upgrade the skills of Mexican workers in order to become more competitive to face the challenges associated with NAFTA. “Training is a key context for the kind of workforce upgrading deemed necessary for Mexico to become competitive within NAFTA” (Hernandez & Lanksher, p. 241). Hernandez and Lanksher suggested that if Mexico wants to participate in the benefits of NAFTA, it needs to implement policies and programs for training its workforce.

Research Questions

The following research questions guided this study:

1. How do government agency officials perceive NAFTA as a driver for the implementation of training and development practices in Mexico?
2. How do government agency officials perceive NAFTA as a driver for the implementation of a national policy for training and development in Mexico?
3. What is the perception of government agency officials regarding the support that the government offers to exporting companies for the implementation of training and development practices in Mexico?

Research Design

This study was conducted following a qualitative research design. In this study, the researcher attempted to understand the meaning of Mexican government agency officials’ perceptions with regard to the impact that NAFTA has had on training and development of human resources practices in Mexico.

The selection of the participants for this qualitative study was based on purposeful sampling. By choosing the participants in a purposive manner, the researcher was able to obtain rich information from the participants that led him to a deep understanding of the event being investigated. The data were collected from five senior officials from the five major public sector agencies that are responsible for the design of programs directed to support the training and development of human resources in Mexican companies. A standardized, open-ended interview was used as the method for data collection. Open-ended interviews are particularly effective when conducting research that explores participants’ perceptions (Berg, 2004; Patton, 2002). Questions such as “What do you think is the ultimate goal of the government programs that support training and development of human resources?” and “How do you perceive that NAFTA has influenced the creation of national programs for the training and development of human resources?” were asked of the participants. The interview that was used as the instrument for data collection was piloted with a Mexican government agency official in order to obtain reliable and meaningful data. Demographic questions were also included in order to identify the characteristics of the interviewees.

The interviews were limited to a one-shot. The length of the interview was of approximately fifty minutes. The interviews took place in the offices of the Mexican senior officials. A total of five interviews were conducted, one interview per participant. There were not any cultural/linguistic misunderstandings because the researcher is from Mexico and shares the culture and language of the participants. The interviews were conducted in Spanish. The translation of the interview protocol into Spanish was validated by using the Brislin method of back-translation (Brislin, 1970).

The type of analysis that was used to interpret the gathered data was constant comparison. According to Leech and Onwueguzie (2006) constant comparative analysis is the most frequent type of analysis that is used in qualitative studies. The first step in the data analysis was to read the transcribed interviews in detail in order to obtain a sense of the collected data. After giving a general review to all the collected data, the researcher proceeded to the description of meanings of the participants’ perceptions. In this step the meaning of the statements of the participants was described. After getting a good sense of the data collected and the meaningful statements, the information was reduced by eliminating those statements that did not contribute to the understanding of the perception of the participants of the event. Once the data were reduced, data that were relevant to the perception of the participant of the event being investigated were displayed for analysis. The displayed data were compared and contrasted. The displayed data were color-coded for further analysis. The next step in the data analysis was the clustering of the coded data. After the meaning of the statements made by the interviewees were examined and
coded, the statements were clustered by themes. The next step in the analysis of the data was the interpretation of the clustered information.

Limitations

There are different limitations that need to be taken into consideration. This study was conducted using qualitative research design; therefore, generalization of the findings was not one of the purposes of this study. The sample of this study was limited to senior government agency officials located in Yucatan, Mexico. It is possible the government officials located in other parts of Mexico have different perspectives of the event under investigation. This study was based on the interpretation by the researcher of the participants’ perceptions of NAFTA on training and development practices in Mexico.

Results and Findings

The main findings that emerged from the interviews indicate that Mexican senior officials consider NAFTA as a motivator for training and development practices. The participants perceived that NAFTA influenced Mexican companies to be more competitive. According to the interviewees’ perceptions, the Mexican government found in training and development of human resources a means to increase competitiveness. Findings regarding the importance that human resources have for the organization and the role that training and development has in a company’s ability to compete also emerged. These findings were congruent with the existing literature.

Mexican Senior Government Agency Officials’ Perceptions about NAFTA as an Opportunity for Mexican Companies and its Impact on Competitiveness

All the senior government officials who participated in this study concurred that NAFTA resulted in an opportunity for Mexican companies. Participants indicated that NAFTA was an incentive for companies to export and access the largest market in the world. Participants perceived that the elimination of tariffs and deregulations that the treatment brought were an incentive for the exporting activity in Mexico. Participants agreed that NAFTA created facilities to access the North American market. This resulted in an increase in the Mexican exports and, consequently, in the advancement of the exporting culture in Mexico. This thought is represented by the comment of Participant 3 who said, “NAFTA has contributed to competitiveness; it has influenced productivity. NAFTA has encouraged Mexican companies to be more competitive, to give more training, to innovate, to train their personnel.”

Participants manifested that NAFTA changed the competitive environment of companies in Mexico; NAFTA especially affected the competitive environment of small and medium size companies. Participant 1 stated:

I think that one of the main impacts of NAFTA was on small and medium size companies (SMEs). I think it is important to point out that NAFTA created opportunities never thought of before. NAFTA gave Mexican companies the opportunity to access the largest market in the world with tariff preferences. NAFTA modified the competitive environment of the SMEs.

Exporting companies looking to access the North American market found that they needed to become very competitive if they wanted to take advantage of the economic opportunities associated with NAFTA. Participants concluded that NAFTA was a strong motivator for Mexican companies to become more competitive and, in general, for Mexico to become more competitive as a country. Previous research had suggested that NAFTA motivated an increase in the competitiveness of Mexican companies. According to Solis, Raghu-Natan, and Subba-Rao (2000), one of the factors that has had the greatest impact on organizational environments is globalization. The authors suggested that NAFTA has transformed the business rules for Mexican organizations by forcing them to operate under a very competitive environment at the national and international levels.

Mexican Senior Government Agency Officials’ Perceptions about Training and Development Programs as a Means to Increase the Competitiveness of the Company

The role that training and development of human resources plays on the competitiveness of the company was acknowledged during the interviews. All the senior officials involved in the study associated training and development with competitiveness. For example, Participant 5 indicated:

The government considers training essential as a performance factor with regard to public policy. Looking at this performance helps to achieve the competitiveness that Mexico requires in order to compete with any country in the world, and this is important because we are immersed in globalization.
Participants added that training increases productivity; thus, it increases competitiveness. In addition, participants showed concern about business owners not investing enough in training. For the senior government officials involved in this study, investments in training are investments in productivity and competitiveness. These findings are consistent with the view of training and development as a means to increase productivity and competitiveness. This view has been widely addressed in the literature (e.g. Aliaga, 2001; Drost, Frayne, Lowe, & Geringer, 2002; Hannigan, Donovan, Holton, Bates, & Naquin, 2000; Huselid, 1995; Ichniowski & Shaw, 1999; Ripley, 2000). In addition, these findings are consistent with the human capital theory that provided the framework for this study. According to the human capital theory, training enhances the knowledge, skills, and attitudes of the labor force to make it more competitive. By doing this, training increases productivity, which leads to an increase in economic gains (Zidan, 2001).

The majority of participants indicated that the ultimate goal of the government in supporting training and development practices is to increase the competitiveness of the Mexican company. For example, Participant 5 stated, “The main objective of the training program that we promote is to increase the competitiveness of Mexican companies through the development of competitive workers, favoring at all times human development.” Participants stated that NAFTA and globalization have forced Mexican companies to be more competitive. According to the participants, the government has found that training and development practices favor the development of competitive workers, thus, improving the competitiveness of the organization.

**Mexican Senior Government Agency Officials’ Perceptions about NAFTA as a Driver for the Creation and Development of National Programs of Training and Development**

Participants considered NAFTA as a driver for the creation of national programs on training and development. All the interviewees agreed that national programs on training and development provide support to companies to improve their competitiveness. This support is provided through different tools, such as consulting, technical assistance, training, and financial support. Participants indicated that the national programs on training were created by the federal government with the purpose of developing the workforce and increasing productivity and competitiveness. By doing this, companies can achieve better economic gains. These findings are consistent with the three main assumptions of the human capital theory. The first assumption is that education and training lead to learning. The second underlying assumption of human capital is that learning translates into productivity. The third assumption indicates that increases in productivity lead to better salaries for employees and more gains for the organization (Swanson & Holton, 2001).

Training and development as a national policy is not exclusively addressed in Mexico. There are studies indicating that different countries around the world have used national training and development programs as a means to increase the competitiveness of the companies and the country. Rigby (2004) indicated that globalization has created changes in the labor market, demanding a workforce that is more competitive and skilled. The need of skillful and knowledgeable workforces has stressed the importance of national training programs that build workforces with the necessary capabilities to face the challenges associated with globalization. India, China, Singapore, Denmark, Germany, Spain, and Morocco are examples of countries where the government has found in training and development a means to increase competitiveness.

In the case of Mexico, participants of the study concurred that NAFTA was a driver for the creation of national programs of training and development. The interviewees manifested that NAFTA had an impact on existing programs of training and development. Participants indicated that some programs existed before NAFTA; however, they were improved as a result of NAFTA. For example, Participant 2 stated:

- NAFTA has helped us to be more conscious that in order to compete in globalization we need better preparation. In Mexico, we are working on training; there are many training programs. Some of these training programs existed before NAFTA; however, they changed and aligned with the function of NAFTA. We have to be a country that is competitively based on education and training.

The senior officials noted that NAFTA helped to understand that in order for Mexican companies to compete in the global world it was essential to be more competitive. These findings provide confirmation of suggestions made in the literature about NAFTA serving as a motive for the Mexican government to create national programs on training and development.

**Mexican Senior Government Agency Officials’ Perceptions about the Support that the Government Provides to Exporting Companies to Become More Competitive Through Training and Development**

The interviewees indicated that the government programs that support training and development are providing visible results and are helping to increase the competitiveness of the Mexican companies in order to face the challenges associated with globalization. Participant 4 declared, “These programs are working very well, with tangible results for the short, medium and long terms.” According to this participant, these programs are playing a significant role in encouraging the exports of the country. The officials stressed the importance that the exporting
activity has for the Mexican economy and the need of training for exporting companies; training encourages exports. These findings support the argument of the human capital theory which indicates that the effects of developing human resources go beyond individuals and organizations; these effects have the potential to impact the economy of the country (Zidan, 2001). Urteaga-Trani (2003) stated that Mexico has designed training programs specifically targeted to help exporting companies face the global competition as a result of NAFTA. The Mexican government, through the Mexican Bank of Foreign Trade (MBFT), has established specific programs to provide training to employees of companies looking to export. According to the Inter-Government Agency of Industrial Policy, there are a total of 20 different training programs promoted by the Mexican government. Among the most important programs are: Training Support Program (PAC), the Technical Training Assistance Program (PAT), the Quality and Modernization Program, and the Program for the Modernization of the Organization. The main government agencies responsible for the national policy of training and development in Mexico are the following: the Ministry of Labor, the Ministry of the Economy, The Mexican Bank of Foreign Trade, and the Secretary of Economic Development.

Conclusions and Recommendations

The findings of this study provide support for the following conclusions:

1. Mexican senior government agency officials perceive that NAFTA has been a driver for the implementation of training and development practices in Mexico.
2. Mexican senior government agency officials perceive NAFTA as a driver for national policies for training and development in Mexico.
3. Mexican senior government agency officials perceive that the Mexican government provides adequate support to exporting companies for the implementation of training and development practices in order to be more competitive.

It is important to point out that this study was exploratory in nature. Therefore, more research needs to be conducted to expand the knowledge about the impact of NAFTA on training and development practices in Mexico. Based on the insights obtained from this study, there are significant areas of study that can be recommended for future research. This study explored the perception of government officials; however, the findings of this study can be enhanced by research that explores the perceptions of company owners about the impact of NAFTA on training and development. In addition, it is recommended to investigate how NAFTA affected training and development practices in exporting companies versus domestic companies. According to the insights provided by participants of the study, domestic companies also needed to increase competitiveness as a result of NAFTA. In addition, since NAFTA involves Mexico, the United States, and Canada, it is suggested to conduct research that explores the impact of NAFTA on training and development practices in the United States and Canada. A study of this nature would provide tremendous insights into the impact, if any, of NAFTA in the HRD practices of these countries. Being able to compare how NAFTA affected training and development practices in the three NAFTA countries would allow researchers to establish a better criterion for the use of training based on economic development. Finally there are recommendations regarding methodology that could strengthen the findings of the study. The participants of the study were limited to one state in Mexico (Yucatan). Future studies may include a sample that includes participants from different states of Mexico.

Implications for Practice

Research shows that challenges associated with globalization processes have been faced, to a certain extent, with human resource development practices (e.g. Cox, 2005; Khandekar & Sharma, 2005; Marquardt & Berger, 2003; McLean & McLean, 2001; Osman-Gani, 1999). The findings of this study suggest that Mexico has found in training and development a means to face the challenges associated with globalization. These findings provide valuable information about how HRD has been used in a Latin American emerging economy. Mexico is the second largest economy in Latin America, and the number one exporter in the region. The exports of Mexico represent 40 percent of the total exports in Latin America (Mexican Ministry of the Economy, 2006). Mexico has set an example for other Latin American countries in terms of exporting. There is definitely a need to explore the experiences of Mexico and thus to offer enlightenment for those countries with comparable cultural and social contexts.

The Mexican government has made training and development a national policy and an essential strategy for the economic development of the country. The approach taken by the Mexican government in training and development could be of value for those countries that have found in free trade agreements a means for economic development. Due to globalization, many countries around the world are dealing with issues in HRD at the national level.
Therefore, international studies that deal with national policies and programs in HRD provide important insights for HRD practitioners and scholars who look to better understand HRD in the international context. McLean and McLean (2001) stated, “If we are to create a body of knowledge that is relevant to academicians and practitioners around the world, the definitions we use must be inclusive of the range of contexts that exist in the multitude of nations in which we live and work” (p. 322).

References


