



Labor Relations in Mexico: 4 Key Developments and 7 Top Compliance Tips as Multinational Businesses Adapt to Recent Changes

Insights

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Businesses in Mexico have faced significant changes over the last few years regarding employment laws, regulations, and practices – and this is particularly true when it comes to labor relations and collective bargaining. Evolving rules have prompted multinational companies to review Human Resources and Labor Relations policies and practices for compliance with the latest reforms. Here's an overview of four key developments and seven top compliance tips not only for U.S. businesses but also for other companies around the world that have Mexican operations.

4 Key Developments

1. Constitutional Reform: Historically, the Mexican Federal Labor Law (FLL) has protected employees' right to join a union. In practice, however, many companies had what is known as "white unions" or "protection unions." These groups charged employers a fee, served to prevent other unions from attempting to organize their workforce, and prioritized the interest of the company rather than employees. Mexico passed a constitutional reform in 2017 aiming to combat protection unions and require actual representation of workers and their rights, but the FLL was not immediately amended to implement the constitutional changes.

2. Commitment to Labor Reform: Mexico signaled its commitment to labor reform in 2018 when it ratified the International Labour Organization's (ILO) Convention 98. This convention protects workers' right to organize and voluntarily enter collective bargain agreements. Under the convention, employee and employer organizations are protected from interference regarding their establishment, operations, and administration. By ratifying the convention, Mexico created a completely new landscape for collective bargaining that affected the traditional National and Local Federations and Unions that had historically controlled most collective bargaining agreements.

3. Major Overhaul: Mexico then took the convention as the main basis to roll out a major FLL labor reform in 2019. Key aspects included:

- **Freedom of Association:** All employees may freely choose their representatives through personal, direct, free, and secret voting. Notably, a union can be recognized with 30% employee support, but a collective bargaining agreement requires majority support from employees.

- **Transparency:** Collective bargaining agreements must be publicly registered to ensure transparency.
- **Labor Justice System:** Specialized Labor Courts were created to handle any issues related to labor matters and union life. These independent labor courts replaced the Conciliation and Arbitration Labor Boards to help ensure impartiality.
- **Mandatory Pre-Trial Conciliation:** The Conciliation and Labor Registration Center was created with the goal of resolving disputes before they reach the Labor Courts and reducing the backlog of labor cases.
- **Union Accountability:** The union must provide periodic updates to members. Employees will have the opportunity to periodically vote for union representatives through direct and private ballots.

The main purpose of these changes was to combat the prevalence of white unions, promote employee protections, and establish new compliance guidelines for labor unions, employers, and employees with an emphasis on employee participation.

4. Labor Provisions Under USMCA: You should also note that the United States-Mexico-Canada Agreement (USMCA/T-MEC), which took effect in 2020, played a role in Mexico's labor reform by including strong labor provisions and compliance obligations. Notably, unions had until May 1, 2023, to ratify existing collective bargaining agreements through personal, direct, free, and secret voting to ensure worker support.

7 Top Compliance Tips

- 1. Navigate the New Labor Courts:** Ensure you understand how the new labor courts operate and that your legal team is prepared to work within the system that replaces the Conciliation and Arbitration Boards.
- 2. Comply with the Mandatory Pre-Conciliation Process:** It's a good idea to develop an internal process for effectively handling conciliation now that it is required before taking actions to the Labor Courts.
- 3. Ensure Fair Union Elections:** Allow employees to choose representatives through personal, direct, free, and secret voting. Avoid interfering with union activities.
- 4. Promote Transparency:** Be sure that collective bargaining agreements are registered with the Federal Center for Conciliation and Labor Registration, as required.
- 5. Review and Update Your Policies:** Ensure your policies and practices comply with the latest requirements on workplace safety, discrimination prevention, labor relations, and other aspects workplace law.

6. Train Your Teams: Make sure your HR staff, managers, and legal teams understand the new legal framework in Mexico and have the tools to comply.

7. Reach Out to Experienced Legal Counsel: [Fisher Phillips Mexico](#) is ready to assist you with any questions you have about the applicable labor laws.

What's Next?

- Companies doing business in Mexico should note that further legal changes are on the horizon. In particular, employers should track developments stemming from [the recent political elections](#), which gave greater power to the current majority party (Morena).
- Mexico's Congress is [considering a bill](#) to reduce the regular workweek from 48 to 40 hours. Already, a recent update that took effect on June 8 imposes potential criminal penalties and significant fines on employers that require employees to work "excessive hours." [You can read more about that development here.](#)
- Additionally, proposed reforms to Mexico's Constitution could significantly impact data protection regulations and transparency efforts. The Mexican Congress will debate these constitutional reforms once the new session begins in September. [You can read more about Mexico's data privacy rules here.](#)

Conclusion

Keeping up with evolving labor laws is crucial for companies doing business in Mexico. For more information on how this impacts your operations in Mexico, reach out to your Fisher Phillips attorney or the author of this Insight. [Fisher Phillips Mexico](#) is at your service to assist you with any questions related to this topic, as well as with any matter in labor law. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to have the most up-to-date information sent directly to your inbox.

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