

## *Ratification of ILO's Convention 98 and main proposals of the newly elected Government to change the labor model*

As you are aware, on July 1 of this year general elections were held in our country to elect a new President of the Republic and members of the Congress of the Union (deputies and senators).

The newly elected government has stated on several occasions that beginning on December 1 it will introduce a series of legislative changes in the labor area, according to the various promises made in the campaign, as well as the "*National Project 2018-2024*", a document presented by the transition team of the President-elect, describing the main themes of the public policies the new government will have to adopt.

In that regard, today in the Senate of the Republic, ILO Convention 98 was ratified, which establishes the principles of freedom of association and collective bargaining negotiations. This ratification was unanimous and will be turned over to the Federal Executive for publication in the Official Federal Gazette.

In addition, in different forums and public spaces, both the President-elect and the designated Secretary of Labor of the new Government, have indicated a series of changes they will carry out and that will directly affect the current labor model.

Among the changes mentioned, we consider the following to be the most important:

- Transition of labor justice to the Judicial Branch. This change is set forth pursuant to the constitutional reform of article 123 of February 24, 2017. The decree establishes, among other things, the disappearance of the Local and Federal Conciliation and Arbitration Boards and the transition of labor justice to the local and federal Judicial Branch, respectively.
- Collective bargaining. The government-elect has indicated the need to eradicate the so-called "protection collective bargaining agreements", through mechanisms that guarantee the representation of the workers in the decision making of the unions and particularly for executing the collective bargaining agreements. In this regard, with the ratification of Convention 98 of the International Labor Organization (ILO), it has been indicated that the strengthening of collective bargaining negotiations will be sought. It should be mentioned that the discussion is occurring in the framework of the incorporation of Mexico into the Trans-Pacific Partnership (TPP) and the ongoing discussion regarding the re-negotiation of the North American Free Trade Agreement.
- Subcontracting. This is a relevant topic in which there are sure to be new criteria or requirements regarding subcontracting. The Ministry of Labor of the new Government has made clear that the measures will be reinforced for the authority to verify that companies that subcontract workers comply with the requirements established in article 15-A of the Federal Labor Law (*that the subcontracting does not cover all the activities, the specialized nature of the work is justified, the work does not include tasks the same as or similar to those performed in the work place*), so that the subcontracting scheme is not used as a measure to diminish or elude labor, tax, social security and similar obligations.

- Minimum wage. One of the main proposals of the new Government is to increase the minimum wage. In this regard, publicly the transition team has indicated that such increase should be gradual and incremental so that by the year 2024 it can reach \$171.00, approximately. With this it is sought to recover the minimum wage and even create a border strip were a special minimum wage is established.
- Inspections of the Ministry of Labor. Another key topic that has been addressed by the new Secretary of Labor is the strengthening of the Labor Inspections Office of the Ministry of Labor. Under this new plan it is sought to give new powers to that agency so that, through ordinary and extraordinary inspections, it can certify compliance with the labor regulations in the work place. The new model intends to grant certifications of “*labor compliance*” to those work places that comply with all the labor, safety, health and similar regulations. It is also proposed to increase the fines for violation of the regulations in order to encourage compliance.

We will be following the discussions in the Deputies Chamber and Senate regarding the changes that the new Government intends to implement in labor matters and will keep you informed.

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Sincerely,

***Von Wobeser & Sierra, S.C.***

Mexico City, September 20, 2018.