

Larry B. Pascal, Alejandro Gonz'lez in Latin America Advisor Q&A: Is Mexico's L'pez Obrador Making the Right Labor Reforms'

December 17, 2020 Larry Pascal, Alejandro González

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Haynes Boone Partner [Larry Pascal](#) and Counsel [Alejandro González](#) participated in a *Latin America Advisor* Q&A about the effect of Mexican President Andrés Manuel López Obrador's recent labor legislation.

Here is an excerpt:

Q: Mexican President Andrés Manuel López Obrador on Nov. 12 sent Congress legislation to prohibit the subcontracting of jobs by private companies without prior government authorization. López Obrador said the measure is needed because the practice has been used to commit tax fraud and deny workers their benefits. To what extent does subcontracting, or job outsourcing, hurt Mexican workers, and should lawmakers approve López Obrador's prohibition of it? Which sectors would be most affected by a ban on subcontracting? What role will labor laws play in Mexico's economic recovery, and what other regulatory changes should the country's policymakers consider next?

A: Alejandro González, counsel, and Larry B. Pascal, partner, at Haynes Boone: "Subcontracting for the purpose of avoiding tax or labor obligations hurts society and workers and is a legitimate policy goal to address. By the same token, Mexico has historically suffered from a large informal labor sector, and the Covid-19 pandemic has only aggravated the crisis. Hence, Mexican policymakers should strike the proper balance and seek to achieve a labor reform that enables Mexican businesses to be responsive to market trends, while still requiring the private sector to meet its tax and labor obligations. Under the López Obrador administration, Mexico, as part of the USMCA, has already adopted legislation implementing its labor commitments under the agreement, including promoting the ability to organize workers. Any additional labor reform should balance these above-mentioned twin policy objectives and allow Mexico to capitalize fully on the opportunities presented under the USMCA and the return of supply lines from Asia-Pacific back to North America.

An actual outright ban on subcontracting is unlikely, as a new concept of 'specialized service providers' is likely to emerge. Nevertheless, much additional detail will have to be added (and is likely being negotiated between the government, the private sector and labor organizations). Numerous key sectors such as the energy, manufacturing and tourism/transportation sectors could be negatively affected if the proper balance is not struck. Mexico should continue to strive to promote investment, enhance transparency and reduce unnecessary bureaucracy, while still advancing the legitimate goals of society and workers."

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