
Brief Labor Notes on Mexican Acquisition Transactions

by Jaime A. Treviño.*

Corporate counsel are generally aware of the importance of a full and detailed due diligence process before an acquisition transaction is closed. Labor matters, jointly with all other areas commonly address in a due diligence process, are important in every country. The specifics of Mexican labor law and practice give these issues particular importance in Mexico.

Mexico has traditionally been an employee-protective country. Mexican labor law has fully adopted this principle. As a corporate attorney myself and in my experience in acquisition transactions working with expert labor counsel, I have concluded that a very specific labor analysis is mandatory to ensure that no undisclosed or material labor liabilities would result to be assumed as a result of an acquisition transaction in Mexico.

The aspects of a full labor due diligence are very varied and detailed. Routine and strictly legal information, as well as sensitive demographic facts have in my experience proven to be equally important to ascertain risks involved in any current and contingent liabilities. The magnitude of potential risks derived from Mexican labor issues shall not be minimized in companies where the number of workers and employees may be considered to be “minimal”. Labor liabilities may result to be material even in a company with a small number of workers.

One of the main liabilities which may result to be assumed through an acquisition, is the employees’ seniority liability. Under Mexican law, each worker is entitled to receive an on-going bonus based on his or her seniority, paid through a bullet payment upon retirement or employment termination; these amounts may add-up to substantial amounts of money which shall well be discussed and negotiated in the acquisition process. Through appropriate legal advice, sellers and buyers may reach competitive agreements resulting in reasonable business solutions to these issues.

Additionally from the seniority liabilities, there are a number of labor-related factors which shall be analyzed in detail. Mexican labor law practice indicates that labor union relationships and collective bargaining agreements are material in most cases. The correct analysis of these issues shall be directed by a qualified and experience legal team.

Mexican labor law is complex; when properly advised, creative labor attorneys may reach feasible solutions to most any situation. On the post-acquisition stage, the proper advice of

legal counsel is critical for employers to comply with applicable law and generate a competitive and profitable working environment at the same time.

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* *Written based upon the author's professional experience with Sergio Tapia, our Firm's labor of-counsel.*

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