

TC Document

I. Basic Information for TC

▪ Country/Region:	MEXICO
▪ TC Name:	Human resource support for the implementation of labor reform in Mexico
▪ TC Number:	ME-T1435
▪ Team Leader/Members:	Kaplan, David Scott (SCL/LMK) Team Leader; Azuara Herrera, Oliver (SCL/LMK) Alternate Team Leader; Barragan Crespo, Enrique Ignacio (LEG/SGO); Barrios Nunez, Uriel (CID/CME); De Gyves Sandoval, Alejandro (CID/CME); Garcia Valero, Andrea Carolina (SCL/LMK); Hand, Anne Elizabeth (SCL/LMK); Muhlstein, Ethel Rosa (SCL/LMK) De Gyves Sandoval, Alejandro (CID/CME); Garcia Valero, Andrea Carolina (SCL/LMK); Hand, Anne Elizabeth (SCL/LMK); Muhlstein, Ethel Rosa (SCL/LMK) De Gyves Sandoval, Alejandro (CID/CME); Garcia Valero, Andrea Carolina (SCL/LMK); Hand, Anne Elizabeth (SCL/LMK); Muhlstein, Ethel Rosa (SCL/LMK)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	ME-L1289, ME-T1393.
▪ Date of TC Abstract authorization:	30 Apr 2020.
▪ Beneficiary:	Secretary of Labor (STPS), Mexico
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB)
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	July 15, 2020
▪ Types of consultants:	Consulting firms and individual consultants
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	CID/CME-Country Office Mexico
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Economic integration; Gender equality; Diversity

II. Description of the Associated Loan

- 2.1 The *Program to Promote Better Working Conditions in Mexico* (ME-L1289)¹ will support an ambitious reform of Mexican Federal Labor Law that will achieve three main goals. First, the reform will guarantee transparency and democracy for in collective bargaining agreements, ensuring that workers have effective representation. Second, the reform will transfer labor lawsuits from the executive branch to the judicial branch. And third, the reform will institute a pre-trial conciliation stage in the executive branch of government.

¹ <https://www.iadb.org/en/project/ME-L1289>

- 2.2 The loan ME-L1289 is a Policy Based Loan that will support both the legislative approval and implementation of the reform. This loan was approved on May 15, 2020.

III. Objectives and Justification of the TC

- 3.3 Most of the jobs in the Mexican labor market are low quality, making it difficult to reduce labor inequality. In the IDB's 2018 Better Jobs Index, Mexico ranks 13th out of 17 countries in Latin America, despite being the fourth richest country in terms of GDP per capita and the country with the fifth highest level of labor productivity. Mexico is in 10th place in the formality sub-indicator (measured as access to social security) and 14th place in terms of sufficient wages.
- 3.4 Successful implementation of these reforms is a priority of the Government of Mexico and has been committed to as part of the recently renegotiated United States-Mexico-Canada Agreement (the former North American Free Trade Agreement, or NAFTA).
- 3.5 The Bank is committed to supporting these labor reform processes. This support has been codified in several ways. First, the United States' ratification of this new regional trade treaty specifically includes coordinating with the Bank's ongoing support². Second, the Bank has approved the Policy Based Loan *Program to Promote Better Working Conditions in Mexico* (ME-L1289) that reflects the reforms' strategic importance. Finally, the Bank is engaged in ongoing, strategic, technical support with the Secretary of Labor to support these reforms being implemented³.
- 3.6 As part of these reforms, the Mexican labor justice system has been completely reorganized, with a diversity of operational changes.
- 3.7 In addition to an organizational restructuring of the labor justice process itself, there are operational changes related to new processes that the reforms support. In the first phase of labor dispute adjudication, for example, there is now a mandatory process of mediation to attempt to reconcile disputes without the need of a long and costly judicial process.
- 3.8 These changes require retraining career civil servants within the federal Secretary of Labor, in addition to recruiting and training new personnel, for new roles that require new skill sets.
- 3.9 The Secretary of Labor has identified at least four specific groups to be trained in different ways: (1) high-level career civil servants, (2) labor conflict administrative stakeholders (registrars, attorneys, and legal advisors), (3) labor conflict mediators, and (4) all relevant Secretary of Labor staff that will need to utilize soft skills in their new responsibilities at the Federal Conciliation and Registration Centers.
- 3.10 These groups include at least 180 individuals that the Secretary of Labor has identified to partake in relevant trainings.
- 3.11 For the ultimate goal of proper functioning of the new labor justice system and the Federal Conciliation and Registration Centers, it is essential that any training program

² <https://www.congress.gov/bill/116th-congress/house-bill/5430/text>, Sec 712.1.D.

³ Please see, for example, the Technical Cooperation *Support for the Implementation of Labor Reform in Mexico*, approved in mid-2019, available at <https://www.iadb.org/en/project/ME-T1393>.

given through the Secretary of Labor directed at these specific groups has both content and pedagogical validation from experts in public administration training and change processes.

- 3.12 Given this scenario, there are two areas of strategic importance that this TC seeks to address: (i) create and validate training programs for government officials that will work in the Federal Conciliation and Registration Centers; and (ii) support the execution of online training options for the Federal Conciliation and Registration Centers.
- 3.13 This TC builds on the Bank's previous experience in the subject matter. The Bank's analytical work and direct technical support facilitated the preparation of the Labor Reform. In 2018, during the process of drafting this reform, the Bank participated in a commission with employers' litigants, workers' litigants, labor authorities at both local and federal levels, members of the judiciary, trade unionists, representatives of the employers' and academic sectors, to prepare the reform initiative and continued accompanying the Mexican Government through the legislative process. The Bank is providing ongoing support for reform implementation, for example, through the previously mentioned Technical Cooperation ME-T1393. This includes support for: drafting the protocols for legitimization of existing collective contracts, drafting guidelines for the operation of the Coordination Council for the Implementation of the Labor Justice System reform, and other key activities that will lead to beginning operations of the new Federal Conciliation and Registration Centers in the fourth quarter of 2020.
- 3.14 This TC is consistent with the Second Update of the Institutional Strategy (AB-3190-2), and is aligned with the development challenges of: (i) Social Inclusion and Equality by promoting better working conditions; (ii) Productivity and Innovation through legal reforms to simplify processes and reduce costs for employers; and (iii) Economic Integration through the implementation of new necessary labor legislation in the framework of a trade agreement. It is also aligned with the transversal priorities of equity in gender and diversity through targeted training in use of the electronic management systems necessary for the new reconciliation and electronic notification systems for the implementation of the Labor Reform in an automated way, avoiding inequality in the care of women and vulnerable populations. The TC is also aligned to the Country Strategy with Mexico; considering the TC will promote better job placements by reducing the cost of formal employment and improving working conditions.
- 3.15 This TC will be funded by the Strategic Development Program for Social Development (SOC). The TC is aligned with the OC-SDP for Social Development defined in GN-2819-1, to improve the effectiveness and efficiency of social services, and to promote social inclusion, equality of gender and diversity by financing quality inputs.

IV. Description of activities/components and budget

- 4.1 **Component 1:** This component will support the creation and validation of **training programs for government officials that will work in the Federal Conciliation and Registration Centers (US\$180,000).**
- 4.2 It is essential that the new Federal Conciliation and Registration Centers have the appropriately trained personnel to fulfill their functions as defined in the Labor Reform. To this end, the Bank is supporting the Government of Mexico with the design of four training courses for the new Federal Conciliation and Registration Centers: (i) training

for senior public management; (ii) training for administrative stakeholders (registrars, attorneys, and legal advisors); (iii) training for labor mediators; and (iv) overarching training in the new labor justice system, which includes soft skills.

- 4.3 As part of this process, the trainings will be validated by an external educational entity or authority, registered with the Secretary of Education, that currently issues well-regarded professional development certifications.
- 4.4 **Component 2:** This component will support the execution of **online training options for the Federal Conciliation and Registration Centers (US\$120,000).**
- 4.5 While training options for the Federal Conciliation and Registration Centers would normally be in-person professional development trainings, the current health contingencies and social distancing suggestions put in place by the Government of Mexico require the consideration and potential execution of distance-training options. For example, limiting the size of groups of people, and the current closure of academic institutions, mean that in-person trainings could be delayed.
- 4.6 It is important to be prepared for this reality and expect that at least some training will transition to online platforms and be done virtually due to these public health and safety restrictions, while respecting that the current deadline to open the Federal Conciliation and Registration Centers remains October 1, 2020.

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund (SOC)	Total Funding
Component 1. Support the creation and validation of training programs for government officials that will work in the Federal Conciliation and Registration Centers			
Firm and individual consultants	Finalizing and online training syllabus, materials, and pedagogy. Strengthening the technical quality and analysis of program initiatives related to the Labor Reform Validating training design and methodology with experts. Revision of the content and quality of the online training courses, support for execution of this TC, and support for the preparation of the second operation of the programmatic series that started with ME-L1289.	160,000	160,000
Study trips	Meetings with experts	5,000	5,000
Dissemination and communication	Workshops, / Technical Notes, Materials, and Meetings	5,000	5,000
Miscellaneous		10,000	10,000
Subtotal Comp.1		180,000	180,000
Component 2. Support the execution of online training options for the Federal Conciliation and Registration Centers			
Individual Consultants	Execution of online training options	100,000	100,000

Activity/Component	Description	IDB/Fund (SOC)	Total Funding
Study trips	Meetings with experts	5,000	5,000
Dissemination and communication	Workshops, technical notes, materials and meetings.	5,000	5,000
Miscellaneous		10,000	10,000
Subtotal Comp.2		120,000	120,000
Total		300,000	300,000

4.7 Supervision of this TC will be carried out by CID/CME. The designated focal point and sector specialist responsible for execution will be David Kaplan, LMK/CME Lead Specialist in Labor Markets.

4.8 The TC will be executed and disbursed in the Country Office in Mexico (CID/CME). Estimated supervision transactional costs to COF are as follows in US\$:

Activity	Transactional Budget
Supervision visits to on-site pilots	7,000
Supervision visits from headquarter specialists	15,000
Total	22,000

V. Executing agency and execution structure

- 5.1 This TC will be executed by the Bank through the Labor Market Division (SCL/LMK), at the request of Mexican authorities. The Labor Markets Division team working in Mexico (LMK/CME) has the relevant background, skills, and technical experience to carry out this technical cooperation; therefore, the Mexican federal government has requested the IDB's support to directly execute the TC. Furthermore, the execution of TCs by the Bank is common practice in Mexico due to the national budgeting mechanism, which subtracts the financing of the TC from the beneficiary's budget when the beneficiary executes them. The Bank, through SCL/LMK, has worked for several years in collaboration with the Government of Mexico in general, and with the Secretariat of Labor and Social Welfare, which will be the counterpart in the design and implementation of effective and efficient solutions, positioning it as a benchmark in the area. In addition, the Bank has specific experience in the execution of the activities foreseen in this TC.
- 5.2 LMK/CME will be responsible for the leadership, supervision, and coordination of the TC. LMK/CME will submit annual reports and a final report to the donor.
- 5.3 With respect to **procurement and financial management**, the Bank will contract the services of individual consultants, consulting firms and different consulting services, in accordance with the policies and procedures in force in the Bank. All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms

for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services.

- 5.4 This Technical Cooperation has been requested by the Secretary of Labor in a letter dated April 17, 2020, as part of support for all activities related to ongoing Labor Reform in Mexico, which also includes the operation ME-L1289.

VI. Major issues

- 6.1 **Coronavirus/COVID-19.** The current Global Coronavirus Pandemic and health contingencies have introduced a generalized risk of uncertainty to the success of this Technical Cooperation, as well as all activities planned by the Government of Mexico in the short and potentially medium term. To mitigate this risk, the Bank is in constant communication with counterparts at the Secretary of Labor. The Bank understands that the deadline of opening the Federal Conciliation and Registration Centers by October 1, 2020, remains a high-level priority and has not been extended. The Bank will maintain constant communication with the Secretary of Labor to mitigate this risk and adapt accordingly to any changes necessitated by this unique risk and challenge.
- 6.2 **Technological and pedagogical risks related to online training.** Online training has grown significantly in the past decade, but its successful execution is dependent on users having access to information technology hardware (broadband access, computers) and software (Zoom or other conferencing products), as well as instructors being properly trained in best practices for remote trainings, which can be different from in-person training best practices. This Bank team will work in coordination with the Secretary of Labor to ensure that online training processes take potential barriers into consideration to deliver the best training possible with this methodology to mitigate these risks.
- 6.3 No specific integrity clauses or special intellectual property agreements will need to be included in the TC agreement.

VII. Exceptions to Bank policy

- 7.1 None.

VIII. Environmental and Social Strategy

- 8.1 Due to the nature of this TC, it is not expected to have a significant negative environmental or social impact. Therefore, it has been classified as C. See [SPF](#) and [SSF](#).

Required Annexes:

[Request from the Client_92930.pdf](#)

[Results Matrix_24924.pdf](#)

[Terms of Reference_14598.pdf](#)

[Procurement Plan_29577.pdf](#)