

Littler Lightbulb: Highlighting Five Recent Developments in Latin America



By: Peter Susser; Ana Cristina Medina (Colombia); Monica Schiaffino (Mexico); Francisco Salas (Central America); Cesar Gonzales (Peru); and Juan Carlos Varela (Venezuela)

Littler's International Employment Law [Practice Group](#) includes experienced practitioners who help employers tackle local and multinational legal issues across borders. Our group guides global clients through the maze of employment laws, taking into account the varied economic circumstances and customs throughout the world. Here we shine a light on pivotal legal developments in several Latin American countries.

- **Colombia:** Pursuant to Act 1955 of 2019, companies are no longer obliged to pay social security contributions for their independent contractors. A 2018 law had required contracting companies to make such payments on behalf of their contractors starting in June 2019. Act 1955 changed course and, among other things, provides that many independent contractors must pay their own health and pension contributions monthly. Independent contractors who earn at or below the national minimum salary must pay their own contributions, but the hiring party is to withhold the contributions and remit them to the social security system.
- **Mexico:** The Mexican Ministry of Labor issued the Protocol for the Legitimization of existing Collective Bargaining Agreements (Protocol), which will require all unions in Mexico that are parties to collective bargaining agreements to revisit employee support for the current agreement. The Protocol took effect on August 1, and will remain effective until May 1, 2021, when the Federal Center for Conciliation and Labor Registration becomes operational. The Protocol guidelines, which are discussed in detail in our recent [article](#), require that the majority of employees covered by a collective bargaining agreement vote to legitimize the agreement. If the legitimization process is not carried out properly or does not receive a majority vote, the agreement will be terminated.

Employers interested in other critical labor and employment developments in Mexico may wish to consider attending our [Fifth Annual Conference](#) in Mexico City on October 2 and Monterrey on October 3, 2019.

- **Nicaragua:** As the socio-economic crisis continues in Nicaragua, some companies in Latin America have joined a movement known as "National Stoppage" (Paro Nacional). Since the spring of 2018, Nicaragua has experienced intermittent unrest and protests, including a call for national strikes seeking the Nicaraguan president's resignation. Civic leaders have called for Paro Nacional to demand the release of hundreds of political prisoners, and multiple businesses voiced support for the movement. From a legal standpoint, however, employers are not authorized to suspend work, payment of salaries, or other labor benefits.
- **Peru:** Early in 2019, with Law N° 30907, the Peruvian government recognized that a cohabitant in a de facto union or domestic partner relationship can claim the surviving partner's pension benefits under the social security system. To be eligible, the partners must have been together for at least one year before the death, if the man was 60 years old or the woman was 50 years old at the time of death. If the couple became partners after those ages, they must have been together for two years. The law provides that couples who want this recognition need to register their relationship at the Public National Personal Registry. The law does not allow same-sex couples to register as domestic partners.



- **Venezuela:** The ongoing political and economic crisis in Venezuela is impacting employers and employees on many different fronts. To stave off the hyperinflation, the government has decided not to increase the minimum salary (currently approximately USD \$2 per month) and has instead instituted other mechanisms to supplement the income of public sector employees. In the private sector, most companies have voluntarily adopted alternative methods of compensation to assist employees and retain valuable talent. Whether provided in the form of monetary bonuses in dollars or other subsidies, these fringe benefits help employees pay for food, medicine, and medical expenses, among other necessities. Other companies have reduced their operations, reassigning their key employees to work overseas, hiring independent contractors to maintain a skeletal operation in Venezuela, and designating their local counsel as their power of attorney for operational and legal representation purposes. For either approach, companies with operations in Venezuela should work with local employment law counsel to navigate through these socio-economic challenges.

We will continue to monitor these developments and other events as they impact employers around the world. Readers curious for more information about legal trends outside the U.S. may consult our Global Guide Quarterly [series](#).