

Under the current economic conditions, companies have to make necessary adjustments to their organizational structure and productive processes. Keeping an updated, organized and well documented file system with documents supporting the contractual relationships with employees and service providers, as well as documents reflecting the relationship with the labor authorities, facilitates the process of adopting new corporate policies. Unfortunately in many instances, the importance of maintaining such file system is only appreciated until there is an urgent need to make certain modifications or adjustments, which makes such change even harder to implement.

When companies ignore such recommendations, they increase their exposure to unnecessary labor and administrative contingencies. To avoid such risk, it is advisable that employers keep an updated employee records system so that lack of control does not become a problem in the future, when trying to implement new corporate policies.

In addition to a continuous supervision, the best tool to verify adequate management of labor relationships, is the implementation of “Labor Audits” which, in general terms, consist of gathering and analyzing available information within the company to provide a report stating inconsistencies detected during the audit process so that the company can focus on amending specific errors and omissions. As a result, the risk of future contingencies is significantly reduced.

The risks to be reduced or eliminated during Labor Audits are directly associated with the observations, sanctions or conflicts that may occur if the company fails to comply with the obligations derived from labor relationships with employees and with services providers. Some of the most common risks faced by the companies include: The misclassification of labor relationships of employees of service providers, as if they were company employees, incomplete records of companies’ own employees, labor conditions at the workplace, salary payment methods, implementation of disciplinary measures, as well as deficient monitoring of labor contractual obligations.

Therefore, it is advisable that as part of a Labor Audit, the following items be subject to review and analysis, such as:

- a) The existence, validity, terms and conditions of collective bargaining agreements and individual labor agreements.
- b) The contractual status of employees and service providers, as well as detecting associated risks.
- c) Contractual conditions and the resulting obligations. (Individual labor relationships vs. collective labor relationships vs. outsourcing)

- d) Integration and performance of mandatory “joint commissions” as well as execution and registration of Internal Regulations (also known as Workshop Rules).
- e) Inspections of general labor conditions and regulations.
- f) Supervision of existing control systems, adequate documentation of payroll payment methods, items paid as part of salary, working day entry and exit controls, seniority, etc.
- g) Workplace safety, including Mexican Official Norms (NOM’s).
- h) Disciplinary measures.

With the results of a Labor Audit, the client is able:

- I. To detect legal failures and to implement the necessary changes to remain in compliance with the labor legal framework.
- II. To improve the performance of the Human Resources department.
- III. To amend contractual or administrative inconsistencies related to employment matters.
- IV. To minimize the exposure to legal controversies in connection with labor or administrative matters.
- V. Improve company’s efficiency.

The systematic review by an external agent (auditor) of the labor conditions within a company allows them to picture their current status, and if needed, to amend existing errors or omissions improving management policies. The pursuit of a “company’s well being” is in sink with a company’s management applying transparency policies, and keeping updated records either required to obtain certifications, and to facilitate new corporate policies, as well as during mergers and acquisitions.

Likewise, it is advisable to keep all labor information updated to strengthen management strategies, and to ease the company’s external relations with authorities and with third parties, such as service providers. Labor Audits allow companies to prepare in advance for future contingencies, or projects given that timely recognition of weaknesses within a company, gives them the opportunity to remedy existing errors or omission and minimizes the costs of leaving such errors unattended.