

In Search of Employee Ownership Plans in Mexico

By Maria Zorrilla



After hearing so much about how employee stock ownership plans (ESOP) and other ownership plans in the U.S. transform companies, it seemed logical to think that other countries, like Mexico, should have similar incentive plans in place. This assumption, however, turned out to be incorrect. Even though there is legislation focusing on employees' rights and on the redistribution of profits mandating profit sharing to all tax-paying companies, there is nothing that establishes employee ownership or equity compensation plans with incentives for both the companies and employees in the long-term.

Currently, Mexican legislation only sets the stage for a few active employee participation plans. One of them is a system of profit sharing, based on companies' taxable income, by which employees must be paid 10 percent of it as part of the program. This nonetheless, even though it does have redistributive motives behind it, does not transfer ownership to the employees. Other than this, the strongest form of employee participation in Mexico comes from cooperatives. The current law governing cooperatives dates back to 1994 and is oriented toward control and management of cooperatives rather than to their development and promotion as a way of empowering and incentivizing employees. There are a number of illustrative and very strong companies that have followed this arrangement, among them are Pascual, Cruz Azul, El Grullo, Trado, and Caja Popular Mexicana. Even though a cooperative focuses on their workers progress and on having a social impact on the community, it doesn't offer the same ownership privileges that other forms of employee ownership or equity compensation do, such as an ESOP.

It was hard to find recent evidence of legislative efforts toward implementing employee ownership in Mexico, but some have been done in the past. In 1990, the Financial Advisory Services Division of the World Bank explored the feasibility of enabling employees to purchase the SIDERMEX Steel Complex from the Government of Mexico through an ESOP. And in 1993, at the request of the Mexican Ministry of Finance and funded by the Inter-American Development Bank, the Equity Expansion International in collaboration with a highly respected

private university, the Instituto Tecnológico de México, prepared a study resulting in ESOP legislation for Mexico, “Plan APOYE” (which stands for Plan de Acciones Para Obreros y Empleados - Plan of Actions for Workers and Employees). However, “Plan APOYE” never became an active part of the legislation. Therefore, my research investigation on other efforts about equity compensation was difficult to come by for this article.

It’s clear that Mexico has a long way to go in terms of establishing the ground rules for equity compensation and employee ownership. The concept of equity compensation for employees is not entirely unknown to Mexican authorities. However, legislation has not been reformed in order to govern it properly. There is a huge area of opportunity here, and as a growing economy that is trying to focus on entrepreneurship as the engine for future growth, the whole country could greatly benefit from legislating and promoting such employee ownership plans.

About the Author



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