MEXICO'S EMPLOYMENT LAW SUMMARY

FEBRUARY 2025

PRODENSA

Disclaimer:

This report is not a lawful guide to be used for any purpose other than generalized research and understanding of the Mexican laws and provisions necessary to give context to operational conditions in Mexico. It is aimed to support the understanding of a semi-professional in generalized and easy-to-understand terms. It is not legally binding nor complete in all contexts and shall not be used as reference to any arbitration. The reader at all times is solely responsible for the application of the information shared herein.

MEXICAN LABOR LAWS AND REGULATIONS

Understanding Mexican labor laws and regulations is essential for managing your workforce effectively. Complying with labor regulations will help maintain a harmonious and productive work environment.

Mexico's labor framework is set forth in the Constitution and the Federal Labor Law. In addition to the Labor Law, Mexico has the following labor-related laws or regulations that complete its regulatory framework: Social Security Law; Retirement Savings System Law; Institute of the National Housing Fund for Workers Law (INFONAVIT); Federal Regulation on the Safety, Hygiene, and Environment in the Workplace

Mexico was the first country in the world to recognize and make provisions for labor rights in its constitution in 1917. The country's labor laws have inspired progressive reforms in other Latin American countries. Balancing worker protections with economic growth, Mexico's Federal Labor Law strives for fair wages, safe workplaces and social justice in a dynamic globalized environment.

CORE OBJECTIVES OF MEXICO'S FEDERAL LABOR LAW

EMPLOYMENT STABILITY
- ***Severance*** required to terminate employment contracts
- ***Promotions*** among Sr. workforce prioritized

EMPLOYEE PROSPERITY
- ***Minimum*** benefits mandate by law
- ***Profit-sharing*** mandate for all employees
- ***Paid vacation*** and parental leave by law

PROTECTION OF RIGHTS
- ***Labor conditions*** enforced by inspections and penalties
- ***Labor conciliation*** and arbitration process overhaul in 2019
- ***Temporary***, individual and collective employement contracts

HEALTH AND SAFETY
- ***Employee training*** and education program mandate
- ***Employer-employee councils*** for oversight
- ***Safe*** working conditions and approved spaces

FREEDOM OF ASSOCIATION
- ***Workers free*** to associate without employer interference
- ***Union representation*** only upon worker consensus and vote
- ***Collective Bargaining Agreement transparent*** and worker-approved

PRODENSA

LABOR HOURS

A legal full-time work week in Mexico consists of 48 hours worked, usually divided over 6 labor days, 8 hours each day. A work week consists of 7 paid days, up to 6 of them working days plus 1 rest day per week, with full pay and benefits. There is also a Sunday bonus if required to work on this day. In manufacturing operations, it is common for the plant to run 24/7, or at least have multiple production shifts.

THE MEXICAN WORK WEEK

Shifts	Max Daily Hours (Monday-Saturday)	Max Daily Hours (Monday-Friday)	Shift Hour Range	Max Weekly Hours
Day Shift	8 Hours / Day	9.6 Hours / Day	6:00 am - 8:00pm	48 Hours / Week
Night Shift	7 Hours / Day	8.4 Hours / Day	8:00pm - 6:00am	42 Hours / Week
Mixed Shift	7.5 Hours / Day	9 Hours / Day	Includes at least 3.5 hours during Night Shift	45 Hours / Week
Breaks	Mandatory 30-minute food break per day per shift. Optional additional 15-minute break.			
Overtime	100% of employee's regular hourly rate for the first nine hours of overtime worked in a week		200% of employee's regular hourly rate for overtime hours worked in excess of nine hours per week, more than 3 hours in a single day, or on 3 separate occasions in one week	

Employees are paid weekly for the operative workforce, or biweekly for professional employees. The minimum wage is set annually, but it more of a benchmark for fiscal calculations than a set market wage. Benefits are an important aspect of an employee compensation plan, with most international companies paying above minimum mandates by law. All employees on a payroll are enrolled in Social Security, a strong social welfare system that provides medical care, home loans, childcare, disability and retirement benefits.

“LEY SILLA”

New Mexican regulations prohibit the obligation of employees to maintain standing for the duration of their shift. If workers cannot have access to a chair during their work activities, they must be given periodic rest breaks.

MINIMUM MANDATES

The minimum wage is updated annually in Mexico. International companies in Mexico often pay well above minimum wage and benefits mandates. It serves as a basis for the calculation of different benefits and social charges in the payroll.

MINIMUM DAILY WAGE IN MEXICO



The Unit Measure and Update, or UMA, is the economic reference to determine the amount of payment from obligations and alleged assumptions in the federal law.

The UMA values have implications for tax and social security contribution determinations. It is a measure of calculation updated annual. Effective February 2025, the UMA rate is $113.14 pesos per day.

There are minimum benefits that the law requires all employers to offer.

MANDATORY BENEFITS ESTABLISHED BY THE MEXICAN LABOR LAW

	Christmas Bonus Equivalent to 15 days of base salary		**Sunday Bonus** For Sunday work, a 25% premium is paid to workers
	Vacation Bonus Equivalent to 25% of base salary		**Profit-Sharing** Share 10% of profits among workforce

THE MEXICAN PAYROLL

Below is a breakdown of a common payroll package for professional, salaried employees in Mexico:

COMMON PAYROLL CONCEPTS, PROFESSIONALS

	Minimum Legal Mandate	Example: International Manufacturers	
Monthly Base Salary	Yes		Monthly base salary defined in the employment contract, considering 30 labor days
Social Security	Yes		Government incentive providing medical services, work insurance, social services and loans
Payroll Tax	Yes		State tax between 2 and 3% of wages, overtime, bonuses, benefits, profit-sharing, etc
Vacation Days	12 Days + 2 Additional / Yr		Paid time off accrued over the first year of work
Vacation Premium	25% of Salary	35-50% of Salary	Percentage of salary during vacation days paid as bonus
Food Coupons	No	10-12% of Salary	Debit card to use for approved grocery items
Savings Fund	No	10-13% of Salary	Matched savings plan accessible to employee once per year
Christmas Bonus	15 Days of Salary	30 Days of Salary	Bonus of days of salary at the beginning of December
Private Medical Insurance	No	Yes	Private insurance provided to white collar employees, and sometimes their families
Life Insurance	No	Yes	Private insurance provided to white collar employees
Home Office	Yes, if applicable		For employees working from home more than 40% of the week, monetary support
Profit-Sharing	Yes		Legal requirement in Mexico to share 10% of profits among workforce in Mexico
Productivity Bonus	No	Yes	Bonus often applied for blue collar workforce, tied to attendance and productivity
Performance Bonus	No	Yes	Bonus often applied for white collar workforce, tied to personal and company results
Profit-Sharing	Yes		Legal mandate for employers to share 10% of the previous year's profit in Mexico among workforce

International companies in Mexico have to increase the amounts of these benefits to be market competitive and attract the skilled workforce they often require. Additionally, they will need to add other benefits to retain their workforce, including: cafeteria services, transportation, daycare, private healthcare insurance, savings fund, food coupons, car allowance, scholarship, etc. Executives are commonly paid bonuses based on company results.

REST DAYS IN MEXICO

Mexican employees enjoy 7 statutory holidays in Mexico, plus Election Day, if applicable. Although some holidays may differ, employees share the common holidays of Christmas, New Year, and Easter with the United States. If employees are required to work on a mandatory holiday, they are entitled to 200% premium in addition to their regular payment.

MANDATORY HOLIDAYS & VOTING MANDATES					
	New Year´s Day - January 1st		Labor Day - May 1st		Christmas Day - December 25th
	Constitution Day - February 5th		Independence Day - September 16th		Election Day - varies federal & local
	Benito Juárez Birthday - March 21st		Revolution Day - November 20th		Presidential Inauguration

Employers must accommodate nursing mothers in the workplace, and protect vulnerable workforce from dangerous situations.

Employees have the right to paid maternity/paternity leave in Mexico: 12 weeks for mothers and 5 days for fathers*. Employers must respect the PTO and offer their former positions back after completion of the leave. These provisions also apply for adoption, but for 6 weeks only for the mother. The employees are paid during this period through the Social Security benefit.

The Senate of the Republic approved the labor reform to extend paternity leave to 20 business days with full pay. The reform has already been approved by the Chamber of Deputies, and if it is passed by the Plenary of the Senate of the Republic before the end of April, it will come into effect in 2025.

TELEWORKING IN MEXICO

In January 2021, the federal government defined a new labor concept in response to the increased work-from-home occurrences. Teleworking is the performance of paid activities in a place other than the employers workplace on a regular basis, at least 40% of the work taking place in a location of the employee’s choosing. This not only requires an economic support for the home-office infrastructure, but established labor practices and responsibilities (both employer and employee) specific to the safety and compliance of remote working.

EMPLOYMENT MODALITIES

There are two types of employment agreements in Mexico. There is no "employment at will" in Mexico. An employer must have just cause to terminate an employment relationship, or otherwise compensate the unjust termination of the contract.

Indefinite Contracts	Definite Contracts	Seasonal Contracts
Those without an end date, providing stability for the employee; continues until terminated by one of the parties	A temporary or probationary contract reflects a specific time period and set of activities	A contract for fixed work that only occurs at a specific time of year

SEVERANCE

An employer may decide to terminate an employment contract. In certain cases a severance payment is not required by law (sexual harassment, insubordination, incarceration, alcohol/drug use on premises, etc). In all other circumstances, the employee is entitled to the following payment upon termination of their employment contract by their employer: (1) 3 months of base salary, plus (2) 12 days of salary for each year of service, plus (3) seniority bonus of 20 days of base salary for each year of service, plus (4) due benefits and all other earned payments.

Unjust Causes for Termination	Just Causes for Termination*
Downsizing workforce or operations - Employee performance - Non-conformance with workplace rules and procedures - Retaliation for whistle-blowing - Employee illness - Pregnancy - Discrimination - Among others	Misrepresentations of qualifications - dishonesty at work - Threats of violence at work - Causing intentional damage to workplace property - Causing severe damage to workplace property through negligence - Compromising the safety of the workplace - Committing immoral acts at work - Disclosing trade secrets or other sensitive information - Being absent without permission for more than 3 days in 30 days - Insubordination - Incorrectly following safety protocols - Coming to work under the influence of drugs or alcohol - Being sentenced to prison - Bullying and acts of sexual harassment

*The authorities will determine if there is adequate proof

HIRING AND MANAGING EMPLOYEES IN MEXICO

RECRUITING WORKFORCE

There are no specific laws or rules applicable to recruitment, but the Mexican Federal Labor Law as well as the USMCA Trade Agreement stipulate certain standards such as non-discrimination.

When hiring for a startup or expansion and need a large workforce, it is recommended to organize a massive event in a centralized, public location to promote brand awareness and invite a multitude of candidates to register for employment opportunities.

There are a variety of pre-employment screening options that are common in the manufacturing industry, including medical exam, psychometric or skills evaluation, background check, employment references and socioeconomic screenings for high-risk positions. Even if the law is more ambiguous than anything, it is important to have clear justification for obtaining candidate information, to obtain it from legal channels, have signed waivers, and protect the confidentiality of applicant data.

WORKFORCE DEVELOPMENT

Although there is no specific requirements in the Mexican Federal Labor Law for the types of promotion systems, there are several associated comments. The promotion system must be summarized in the Collective Bargaining Agreement with the union or in the internal work rules. Promotions must also take into consideration internal employees first.

Promotion systems should be transparent, published, and based on evaluations. Salary increases are based on the following criteria: absenteeism, safety, training metrics, quality certifications, seniority, production knowledge, and technical abilities. A performance evaluation is typically applied once or twice per year, with an adjustment in salary being applied annually according to the results of the evaluation, and consideration of the cost-of-living in Mexico.

All employers in Mexico are required to provide training and instruction for their employees, have a program available at the workplace, and register is before the Ministry of Labor, if required. Companies with more than 50 employees must establish a Joint Committee for Training, Instruction and Productivity, comprised of equal representatives from company and employees.

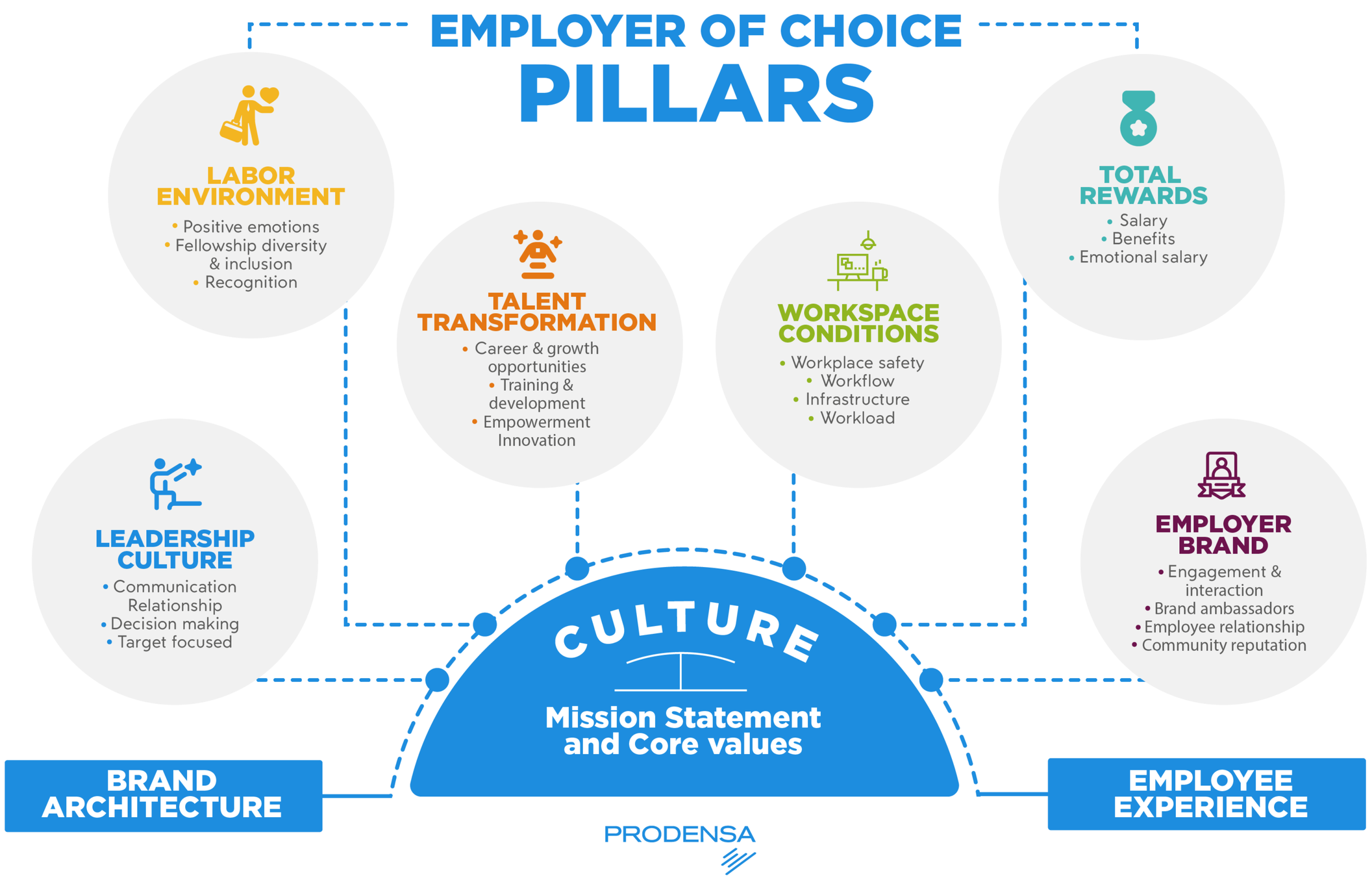
Outsourcing services or execution of specialized works are allowed in Mexico, only when the core business of the company is not being contracted from a 3rd party. The outsourcing entity must have a registry issued by the Ministry of Labor.

LABOR CULTURE IN MEXICO

The top priorities among Mexican employees tend to be family, religion and money. Although there are numerous differences to culture in Mexico and other countries, the main differences tend to be highlighted in how employees are motivated and managed.

- A management style that respects and acknowledges the central position of the family within the Mexican culture is more likely to proceed in promoting productivity
- The term “family” goes beyond blood relation. Supervisors that promote care over their employees in a more personal level to foster relationships
- Leaders are encouraged to establish boundaries and seek mutual trust and respect in expressing appreciation and expecting loyalty
- Due to a higher collectivism, the labor culture requires managers to be more “hands-on” in the management of employee
- The management of time tends to differ greatly with other cultures. Creating additional levels of prioritization can help to bridge the gap and clarify expectations

Prodensa defines a system of best practices called Employer of Choice, aimed at increasing employment competitiveness in the labor market.



LABOR UNIONS & COLLECTIVE BARGAINING

In Mexico, unions typically represent hourly employees. Strictly speaking, no one is forced to join a union, but if workers wish to do so, the company would be required to sign a Collective Bargaining Agreement following the labor procedure. The unions in Mexico are governed by their own statutes, and the Federal Labor Law only states that neither unions nor companies can be part of the administration of the other.

There are multiple types of unions in Mexico, including corporate, industrial and national trade unions. Unions may initiate a collective dispute on economic issues, communicate to employees, oversee operations of the training system, negotiate annual salary increases, participate in drafting work rules, deal with occupational safety and health issues, among other things.

Typically union agreements include some combination of an annual fee or deposit from the company plus employee quotas which are usually deducted from their salary. Generally this deduction amounts to 2-5% of employee salary. No fee structure is established by law.

Additionally, with the incorporation of Annex 23-A into the USMCA, the Mexican government assumes various obligations, and commits them to law in the Mexican legislation. These obligations are aligned with the freedom of association of workers and the Rapid Response Mechanism for reporting instances of non-compliance.

HEALTH & SAFETY STANDARDS

Promoting a safe and healthy work environment is essential. Prioritizing the well-being of your employees will contribute to their productivity and overall success of your manufacturing business.

Currently there are 41 official Mexican NOMs in health and safety material in the workplace, outlined by the federal STPS in Mexico. Some of the most important and applicable operational requirements for manufacturers include:

EHS Personnel and Safety Procedures – there are several Mexican NOMs with the objectives to establish functions, activities and preventions services for health and safety in the workplace to prevent accidents and illnesses. This may include having a dedicated EHS personnel on-site for facilities over 100 employees, commissions for health and safety and emergency brigades with designed and trained procedures. Employees must be informed of their workplace risks and trained, if required. The NOMs also outline the accident reporting requirements and follow-up procedures.

Workplace Health Studies – there are multiple Mexican NOMs that outline requirements of lighting, noise, temperature, and ergonomics in the workplace.

Emergency Response Systems – all facilities should be adequately equipped with emergency response systems including fire combat (detection, alarms, combat), evacuation routes, exits, first aid, and response plans.

Hygiene in Food Systems – applicable to all areas where food is prepared, it outlines cleaning procedures and training requirements.

Psychosocial Risk Factors – One of the newest Mexican NOMs creates a responsibility for the employer in Mexico to detect and manage risk factors like excessive workloads, lack of control over work days, work that upsets work/life balance, and negative or toxic relationships, to name a few.

Safety Conditions in the Workplace – there are additional requirements for the safety conditions in the workplace in relation to working at heights or confined spaces, as well as vulnerable populations.

There are other governmental agencies with specific requirements for manufacturers in Mexico, including COFEPRIS. The Federal Commission for the Prevention of Health Risks (COFEPRIS) regulates food/beverage products as well as supplements, cosmetics, medical devices, cleaning products, medicines, and more. It also regulates commercial establishments that offer services related to the physical and mental health of persons.

Each employer in Mexico must create a Health and Safety Commission to investigate the causes of illness and accidents, and to propose resources to avoid them.

Employers have the obligation to protect the wellbeing of employees, and to generally pursue safety and health, substance controls, training, communication and reporting. The health and safety material is based on the various regulatory bodies. The Office of Labor Inspection, part of the Federal STPS, is responsible for the enforcement of health and safety regulations in Mexico. Employers found in non-compliance are subject to fines up to 5,000 UMAs, with eventual shut-down of the facility if violations persist.

EMPLOYER OF RECORD
IN MEXICO

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MINDFACTURING® SERVICES

RECRUITMENT & SELECTION

PAYROLL SERVICES

EXPENSE MANAGEMENT

WORKSITE ADMINISTRATION

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