

HOW TO HIRE EMPLOYEES IN MEXICO

A LEGAL FRAMEWORK + COMMON PRACTICES

2024

PRODENSA







A PRODENSA GUIDE

OBJECTIVE:

To give actionable insights to the Human Resources semi-expert in a research phase of their project in Mexico.

Prodensa is a Mexican advisory and project management firm with more than 35 years of experience supporting start-up projects in Mexico - through strategic advisory and hands-on support. This E-Book serves as a guide reference for professionals conducting project management, labor costing, corporate knowledge transfer, and site selection, among others. It combines new legislation with everyday practices, documenting our applied knowledge in strategic ways. Over 1,000 international corporations have trusted their Mexican operations to our local experts.





DISCLAIMER:

This report was prepared solely for the purchasing party and shall not be transferred or copied in partial or entirety.

It is not a lawful guide to be used for any purpose other than generalized research and understanding of the Mexican Labor Law provisions necessary to give context to the labor conditions and culture in Mexico. It is aimed to support the understanding of a non-expert, in easy to understand terms. It is not legally binding nor complete in all legal contexts and shall not be used as reference to any labor arbitration. The reader at all times is solely responsible for the application of the information shared herein.



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LABOR SYSTEMS



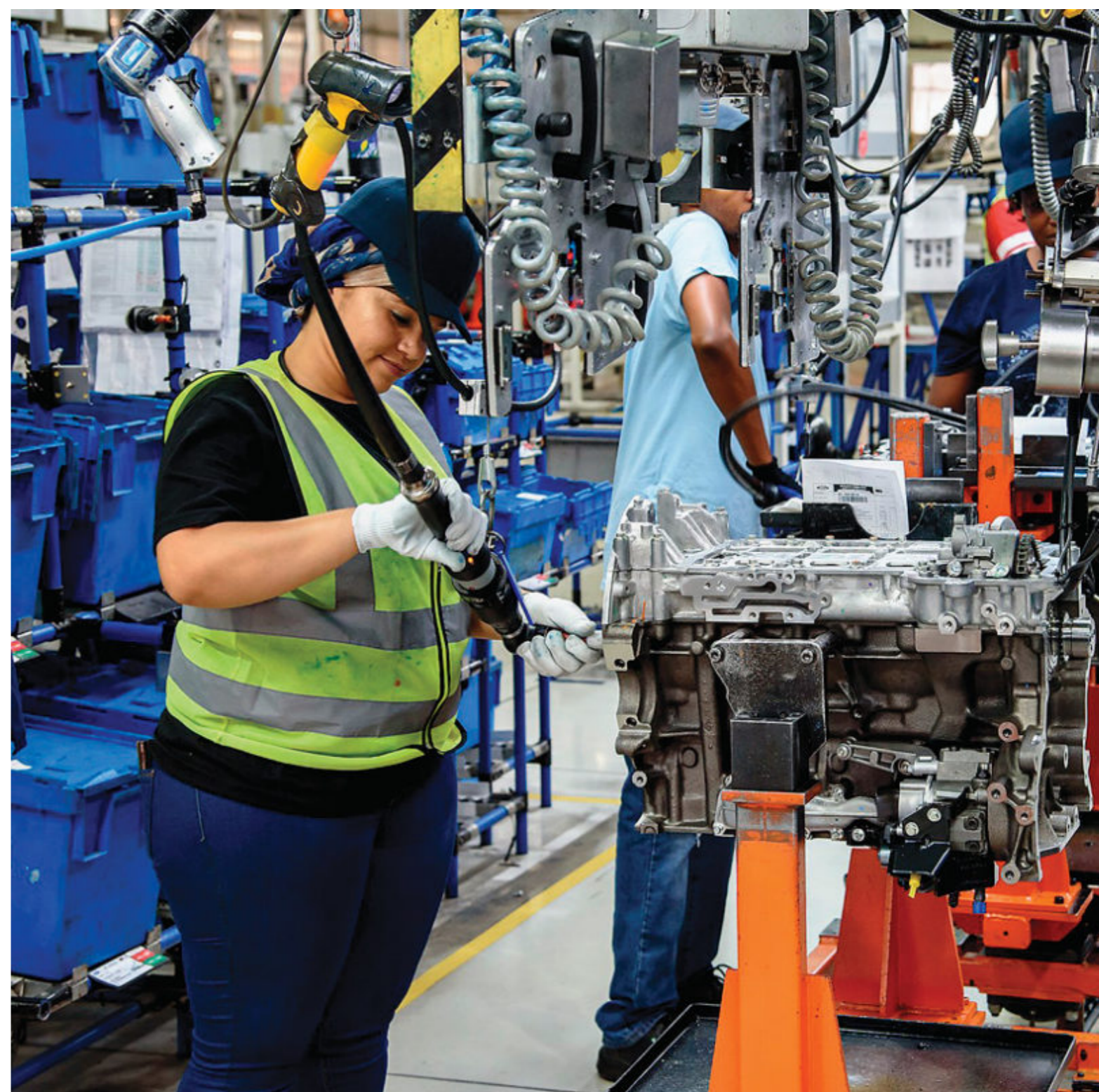


1. WORK WEEK IN MEXICO

The 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 and at least 1 rest day per week, with full pay and benefits. Usually this rest day falls on Sunday. An employee cannot be obligated to work on their rest day. If both parties agree to move the rest day to another day of the week and the employee works on Sunday, they earn a 25% “Sunday bonus”.

If the work on Sunday is in addition to a full workweek, they will be awarded 100% premium for their time worked, in lieu of the “Sunday bonus”. For continuous labor, employees and employers must agree on the replacement rest day(s).





SHIFTS

Many employees work in shifts, which imply limited full-time hours. In the manufacturing industry, the calculation of shifts is a very strategic decision for a company. Meeting operational KPIs is of utmost importance, yet employee welfare is a key priority of the current federal administration.

It is common for the manufacturing industry, for example, to rotate shifts among workers, and additional benefits may vary by shift. The work shift may be freely agreed upon by both parties, as long as the employer does not exceed the maximum work shifts. Each shift may have different working hours depending on the shift patterns.

The Day Shift (1st Shift) consists of 48 hours worked per week. The Mixed Shift (2nd Shift) consists of 45 hours worked per week. The Night Shift (3rd Shift) consists of 42 hours worked per week. The chart below shows different shift fashions according to legal working shifts, common in the manufacturing industry.

	Legal Shifts in Mexico					
	Day Shift (1st Shift)		Mixed Shift (2nd Shift)		Night Shift (3rd Shift)	
	Work Hours	Time Schedule	Work Hours	Time Schedule	Work Hours	Time Schedule
6 x 1	8 hours / day	7:00 - 15:00	7.5 hours / day	15:00 - 22:30	7 hours / day	22:30 - 5:30
6 working days 1 rest day	x 6 days = 48 hours	Monday - Saturday	x 6 days = 45 hours	Monday - Saturday	x 6 days = 42 hours	Monday - Saturday (am)
5 x 2	9.6 hours / day	7:00 - 16:36	9 hours / day	16:36 - 2:36	Not Applicable	
5 working days 2 rest days	x 5 days = 48 hours	Monday - Friday	x 5 days = 45 hours	Monday - Saturday		
4 x 3	12 hours / day	7:00 - 19:00	Not Applicable		12 hours / day	19:00 - 7:00
4 working days 3 rest days	x 4 days = 48 hours	(days can be escalated)			x 4 days = 48 hours	(days can be escalated)



As the chart shows, employees can work over 4, 5 or 6 days in the week with the additional days as rest days or subject to be paid overtime. More examples can be found at the end of this sub-section.

As a general practice many employers allow office employees to work 5 days per week, 9.6 hours each day. Other schedules or arrangements may be common throughout different industries.

If found in violation of labor law provisions by the Department of Labor & Welfare, a fine may be incurred for each employee affected, ranging from 50 to 250 times the Unit & Measure Update. This concept is further defined in the Payroll section of this publication.



OVERTIME

Overtime in Mexico is not an obligation or part of the duties of the employee. It must be mutually agreed between employee and employer.

Overtime is calculated considering:

- The total amount of overtime hours worked during the workweek
-
- The total amount of hours worked during a single day after a regular shift

For the first 9 hours of overtime, employees are entitled to their normal payment plus 100% premium. For the 10th hour and above, employees are entitled to their normal pay plus 200% premium. Also, 200% premium is payable when an employee works more than 3 hours of overtime in a single day or works more than 3 days of overtime in a single week.

Shift Classification	Hours	Daily Hours	Work Week	Overtime Definition	Overtime Pay
Day	8:00am-6:00pm	8 Hours	48 Hours	Over 8 Hours per Day	The first 9 hours of overtime per week is normal pay + 100% premium. If the overtime hours exceed 9 hours per week, the employee receives normal pay + 200% premium. If an employee works more than 3 hours in one day OR on three separate occasions in one week, the employee earns their normal pay + 200% premium. If an employee works on Sunday, they receive a 25% premium.
Night	6:00pm-8:00am	7 Hours	42 Hours	Over 7 Hours per Day	
Mixed	Mixed	7.5 Hours	45 Hours	Over 7.5 Hours per Day	

Sanctions relating to the abuse of overtime are between 50 and 250 times the Unit & Measure Update for each affected worker plus the owed overtime payment.



PRODENSA RECOMMENDATION

Employees in Mexico enjoy the opportunity to work overtime as the financial rewards are clearly marked by law. It is of utmost importance to design a good shift schedule that is directly tied to the completion of KPIs and production schedules.

It is a common practice for employees to rotate shifts, usually every few weeks. Employees are also rotated for overtime opportunities, giving everyone the opportunity for additional paid labor.

Neither of these rotations are mandated by law, and it continues to be very important to ensure working shifts and overtime complete the federal labor law, or be subject to sanctions. The federal labor law does not differentiate between the overtime awards for blue collar or white collar employees in Mexico. The rules apply to all employees, although in practice it can be a bit different. It is less common for white collar employees to receive paid overtime due to flexible schedules and the newly established teleworking benefits.

Common practices vary by industry, as there have been changes to what employees are considered white collar. For example, technicians and engineers on the manufacturing floor, although tied to production schedules and thus shifts, are many times paid a monthly salary with distinct benefits, instead of a daily wage.

Additionally, employees that work in shared services, such as call centers, are often paid a monthly salary but adhere to strict and rotating shifts and working schedules. By law, they should receive overtime awards for any labor outside of legal full-time working schedules. It is an important and delicate issue for blue collar employees that work on a manufacturing floor, for example. It is essential to understand the law as well as common practices as well as verify all schedules in the collective bargaining agreement.

When working on continuous operations such as manufacturing, for example, many companies strategically choose to roll shifts to allow for non-stop production. In a 4 x 3 shift modality, a third crew can be rotated into the work week to allow for legal compliance of rest days without sacrificing 24/7 production.



Legal Shifts in Mexico						
	Day Shift (1st Shift)		Mixed Shift (2nd Shift)		Night Shift (3rd Shift)	
	Work Hours	Time Schedule	Work Hours	Time Schedule	Work Hours	Time Schedule
6 x 1	8 hours / day	7:00 - 15:00	7.5 hours / day	15:00 - 22:30	8.5 hours / day	22:30 - 7:00
6 working days 1 rest day	x 6 days = 48 hours	Monday - Saturday	x 6 days = 45 hours	Monday - Saturday	x 5 days = 42.5 hours	Monday - Friday (am) Extra time: 1/2 hour @ double = 1 extra hour paid
5 x 2	9.6 hours / day	7:00 - 16:36	Not Applicable		9.6 hours / day	16:36 - 2:06
5 working days 2 rest days	x 5 days = 48 hours	Monday - Friday			x 5 days = 48 hours	Monday - Saturday (am) Extra time: 6 hours @ double = 12 extra hours paid
4 x 3	12 hours / day	7:00 - 19:00	Not Applicable		12 hours / day	19:00 - 7:00
4 working days 3 rest days	x 4 days = 48 hours	(days can be escalated)			x 4 days = 48 hours	(days can be escalated) Extra time: 6 hours @ double = 12 extra hours paid

There are many ways to achieve a balance with schedules and the need to work overtime in the way that the production and maintenance crew are scheduled.

Additional examples of real manufacturing schedules can be found on the following page.



Examples of Manufacturing Shifts in Mexico

Size	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Lunch	Rotation	Salary
Xlarge	First: 7:30-15:30 Second: 15:30-23:00	First: 7:30-15:30 Second: 15:30-23:00	First: 7:30-15:30 Second: 15:30-23:00	First: 7:30-15:30 Second: 15:30-23:00	First: 7:30-15:30 Second: 15:30-23:00		First: 7:30-15:30 Second: 15:30-23:00	Yes	Weekly	Monday-Friday 7:30-17:06
Large	First: 7:00-15:00 Second: 15:00-24:00 Third: 24:00-7:00	First: 7:00-15:00 Second: 15:00-24:00 Third: 24:00-7:00	First: 7:00-15:00 Second: 15:00-24:00 Third: 24:00-7:00	First: 7:00-15:00 Second: 15:00-24:00 Third: 24:00-7:00	First: 7:00-15:00 Second: 15:00-24:00 Third: 24:00-7:00	First: 7:00-15:00 Third: 24:00-7:00	-	Yes	Every 2 Weeks	Monday-Friday 8:00-18:00
Large	First: 7:00-15:00	First: 7:00-15:00	First: 7:00-15:00	First: 7:00-15:00	First: 7:00-15:00	First: 7:00-15:00	-	Yes	No	Monday-Friday 8:00-17:36
Medium	First: 6:00-14:00 Second: 13:30-22:30	First: 6:00-14:00 Second: 13:30-22:30	First: 6:00-14:00 Second: 13:30-22:30	First: 6:00-14:00 Second: 13:30-22:30	First: 6:00-14:00 Second: 13:30-22:30	First: 6:00-14:00 Second: 13:30-22:30	-	No	Every 2 Weeks	Monday-Friday 8:00-17:36
Large	First: 7:30-17:06 Second: 17:00-2:00	First: 7:30-17:06 Second: 17:00-2:00	First: 7:30-17:06 Second: 17:00-2:00	First: 7:30-17:06 Second: 17:00-2:00	First: 7:30-17:06 Second: 17:00-2:00	-	-	Yes	No	Monday-Friday 7:00-16:36
Large	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	First: 7:00-15:00 Second: 15:00-22:30 Third: 22:30-7:00	-	No	Once per Month	Monday-Friday 7:30-17:06
Xlarge	First: 6:00-15:36 Second: 15:45-24:09	First: 6:00-15:36 Second: 15:45-24:09	First: 6:00-15:36 Second: 15:45-24:09	First: 6:00-15:36 Second: 15:45-24:09	First: 6:00-15:36 Second: 15:45-24:09	-	-	Yes	No	Monday-Friday 7:00-16:36
Large	First: 7:30-15:30 Second: 15:30-24:00	First: 7:30-15:30 Second: 15:30-24:00	First: 7:30-15:30 Second: 15:30-24:00	First: 7:30-15:30 Second: 15:30-24:00	First: 7:30-15:30 Second: 15:30-24:00	First: 7:30-15:30 Second: 15:30-24:00	-	No	Yes	Monday-Friday 7:30-17:06
Xlarge	First: 7:45-18:21 Second: 20:20-5:44	First: 7:45-18:21 Second: 20:20-5:44	First: 7:45-18:21 Second: 20:20-5:44	First: 7:45-18:21 Second: 20:20-5:44	First: 7:45-18:21 Second: 20:20-5:44	-	-	No	Yes	Monday-Friday 8:30-18:06
Xlarge	First: 6:00-16:06 Second: 16:06-1:36 Third: 22:30-6:00	First: 6:00-16:06 Second: 16:06-1:36 Third: 22:30-6:00	First: 6:00-16:06 Second: 16:06-1:36 Third: 22:30-6:00	First: 6:00-16:06 Second: 16:06-1:36 Third: 22:30-6:00	First: 6:00-16:06 Second: 16:06-1:36 Third: 22:30-6:00	Third: 22:30-6:00	-	No	Once per Month	Monday-Friday 7:00-17:36
Large	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	-	Yes	Once per Month	Monday-Friday 7:00-16:36
Large	First: 7:00-17:06 Second: 17:06-2:36	First: 7:00-17:06 Second: 17:06-2:36	First: 7:00-17:06 Second: 17:06-2:36	First: 7:00-17:06 Second: 17:06-2:36	First: 7:00-17:06 Second: 17:06-2:36	First: 7:00-17:06 Second: 17:06-2:36	-	No	Every 2 Weeks	Monday-Friday 7:00-16:36
Xlarge	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	First: 7:00-15:30 Second: 15:30-23:00 Third: 23:00-7:00	-	No	Every 2 Weeks	Monday-Friday 7:30-17:36
Large	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	First: 6:30-15:30 Second: 15:30-23:00 Third: 23:00-6:30	-	No	Every 2 Weeks	Monday-Friday 8:00-18:00 Saturday: 9:00-12:00
Medium	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	First: 7:00-15:00 Second: 15:00-23:00	-	Yes	Once per Month	Monday-Friday 7:00-16:36
Xlarge	First: 6:00-16:06 Second: 16:06-1:36	First: 6:00-16:06 Second: 16:06-1:36	First: 6:00-16:06 Second: 16:06-1:36	First: 6:00-16:06 Second: 16:06-1:36	First: 6:00-16:06 Second: 16:06-1:36	-	-	No	Once per Month	Monday-Friday 7:00-17:36



TELEWORKING

In January 2021, the federal government defined a new labor concept in response to the COVID-19 pandemic. It addresses the following:

- Telework 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
- Contractual requirements must be in writing and define the nature of work, equipment and work supplies, compensation, supervision mechanisms, duration and distribution of hours
- Employer obligations such as work equipment, ergonomic chairs, printers, etc
- Security and psychosocial factors, their risks and controls and the right to disconnect
- Obligations of the employee including protections to work supplies and equipment
- The voluntary nature of teleworking - each of the parties has the right to return to face-to-face work

Work performed sporadically or occasionally at a location outside of the employer's office is not considered teleworking. Work being performed in compliance with COVID-19 health standards is not considered teleworking, rather an exceptional situation determined by health authorities. A current employment contract may be modified with required conditions.

The employer has up to 18 months of transition to comply with the new Teleworking law, but eventual sanctions may apply for non-compliance. These sanctions range from 50 to 5,000 times the Unit & Measure Update, which is up to about \$20,000 US dollars.



PRODENSA RECOMMENDATIONS

It is important to first make an evaluation of all personnel who may be entitled to teleworking opportunities in the workplace. Communicate this opportunity to selected employees and mutually agree to any contractual modifications.

The company must pay for electricity and/or internet and other labor requirements, or provide another type of compensation adjustment.

SPECIAL ACCOMMODATIONS

In addition to the working structure of employees, it is important to consider additional accommodations required by labor officials, or recommended for employee retention.

Employees are entitled to a rest time of 30 minutes per full-time shift. If the employee cannot leave the facility, the rest time is accounted for in the shift, considered as time worked and paid. Many employers provide cafeteria services, free or subsidized, to employees to streamline rest times and maintain productivity.

SICK LEAVE

An employee is entitled to sick leave depending on the type of illness and degree of disability, having documentation from a Social Security physician. The salary during sick leave is paid by Social Security. The employer has the discretion to grant unpaid sick leave in certain circumstances.

Full leave is provided for occupational injuries in which the employee was exposed in the course of their employment, or any consequence thereof.

The economic benefits paid by Social Security due to illness are based on 60% of the employees registered salary and begin on the 4th day of absence.



OCCUPATIONAL RISKS

Employers must have an integral diagnosis that dictates the health and safety conditions of each work area of the workplace. It is also necessary to have a health and safety program in the workplace, elaborated based on the diagnosis, and updated annually.

This program must include an action plan for emergencies, designate responsible parties, and submit follow-up reports and advances including preventive and corrective actions as well as personnel training.

PSYCHOSOCIAL RISK FACTORS

Since 2019 it is a federal law requirement to measure and detect psychosocial risk factors among employees through an annual survey.

The objective of the standard is to establish the elements for identifying, analyzing and preventing psychosocial risk factors, as well as for the promotion of a favorable organizational environment in the workplace.

These risks include, but are not limited to: dangerous or unsafe conditions, workload capacity, lack of control over work, excess work stress, interference in the work-family relationship, and negative leadership in the workplace.

Upon detection of any of these risks, the employer must provide information to the employees about their policies, procedures and their rights. They must also carry out actions that promote a positive labor environment as well as programs for the prevention of psychosocial risk factors.

PRODENSA RECOMMENDATION

By law, any company that employs more than 100 employees in any given location must provide in-house medical services, free of charge. There are many ways to provide a shared service. Commonly, companies provide part-time nursing, dietician, psychiatric or other medical services both to comply with law and as an added benefit for retention and safe working conditions. Some industrial parks in Mexico provide these shared staff services.



PARENTAL LEAVE

Working mothers are entitled to 12 weeks of maternity leave, with Social Security paying them 100% of their registered base salary. This may be extended as necessary by a physician if work is not safely possible. Up to four weeks of maternity leave may be transferred to after the childbirth, upon approval of a Social Security physician.

During the subsequent nursing period of 6 months, the mother is entitled to two additional 30-minute rest periods in the day, and an adequate and hygienic place must be set aside by the employer.

Fathers are entitled to enjoy 5 days of paid paternity leave when their child is born or in the case of adoption.

DISCIPLINARY MEASURES

Disciplinary measures may not exceed 8 labor days and employers are forbidden from imposing any financial penalties on employees. Under no circumstances may an employer charge interest on workers' debts to the employer, nor may workers' salary be garnished except for circumstances settled in family court.

LEGAL WORKING AGE

Anyone between the age of 15 and 18 can be employed with parental permission, which must be ratified before the labor boards. Any persons under the age of 18 cannot work during night shifts.

Persons under the age of 16 and pregnant or nursing mothers are not permitted to engage in overtime, if it endangers the worker or the child's life.

INTERNAL WORK RULES

These rules must be drawn up by an employer-employee committee, distributed among employees, and posted in common areas. The rules to be defined deal with arrival, departure, and meal times; definition of shifts, cleaning schedules, wage payments, safety measures; disciplinary measures, medical exams, etc.

These internal rules must be registered in front of the labor authority, and maintained updated according to the certain circumstances of the company.



HOLIDAYS

The Mexican Federal Labor Law establishes 9 mandatory holidays:

Mandatory Holidays



New Year's Day - January 1st



Independence Day - September 16th



Constitution Day - February 5th



Revolution Day - November 20th



Benito Juárez Birthday - March 25th



Christmas Day - December 25th



Labor Day - May 1st

Mandatory Voting Rights



Election Day scheduled by federal and local electoral laws - varies



National Presidential Inauguration every 6 years on December 1st

If employees are required to work on a mandatory holiday, they are entitled to 200% premium in addition to their regular payment.

If the legal holiday falls on a Sunday, it is not required to substitute it for another weekday.

Additional holidays may be given according to individual company policy and usually reflect cultural or religious observances by region in Mexico. Examples are found below.

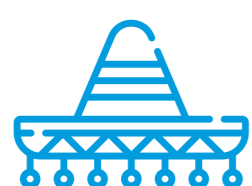


Additional Holidays & Observances



Easter
("Semana Santa")

During Holy Week in the spring, many companies grant at least Good Friday and Easter Sunday. Others give Thursday and Saturday as well as it is a common week for family vacations.



Battle of Puebla
("Cinco de Mayo")

"Cinco de Mayo", although not as commonly celebrated in Mexico as in the U.S., actually commemorates the Battle of Puebla on May 5th.



Mother's Day

In Mexico, Mother's Day is fixed on May 10th and many companies give time off to working mothers and grandmothers to attend school events.



Day of the Dead

Day of the Dead is celebrated throughout Mexico but central Mexico tends to observe this day as a holiday on November 2nd and have many festivities.



Virgin of Guadalupe

The Virgin of Guadalupe Day is another regional religious holiday in Catholicism, celebrated on December 12th with religious activities inside the workplace.



Christmas "Posadas"

Christmas parties are an important part of the labor culture in Mexico. Some are organized within working hours, and other companies may invite families for activities.



Christmas Eve

Christmas Eve is commonly observed throughout many industries and may be observed as an additional holiday and given time off.



New Year's Eve

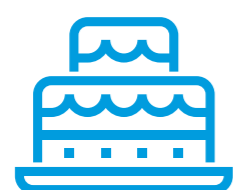
New Year's Eve may also be commonly given as an additional holiday by some companies.



Other company policies not mandated by law include time off for marriage or a family death.

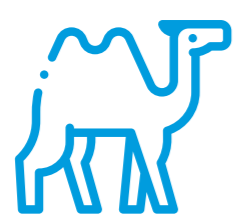
In addition to possible public holidays being observed by companies, Mexico maintains a culture of social gatherings in the workplace for numerous occasions:

Common Workplace Festivities



Birthdays/
Anniversaries

From publication in newsletters to a small ceremony with cake, Mexicans enjoy celebrating milestones in a social way.



Wiseman
Day

January 6th celebrates the 3 Wisemen where coworkers, families and social groups share sweet bread filled with hidden tokens.



Día de la
Candelaria

“Día de la Candelaria” is celebrated on February 2nd by eating traditional tamales purchased by those that received tokens on Wisemen Day.



Kids
Day

Mexico celebrates Kids Day on April 30th and companies often provide a small gift or an organized family event focused on fun activities.



Soccer
Finals

Major sporting events such as final soccer matches are commonly celebrated by employees. Companies often allow broadcast of such events in the cafeteria.



Religious
Pilgrimages

Regional religious pilgrimages are often celebrated by employees, although it is not common for companies to actively participate.



City
Celebrations

Many cities have annual celebrations or anniversaries that become very important to many employees and many companies try to give flexibility on these days.



The Mexican culture is very celebrated and social. Planning and observing some of these additional holidays or events improves employee retention and productivity. If the Collective Bargaining Agreement is negotiated, it will include official observances.

PRODENSA RECOMMENDATION

It is highly recommended to dedicate a part of the budget to celebrate and observe some of these holidays and festivities. Being deeply rooted in the culture, small tokens of appreciation by employers can go a long way for employee loyalty and retention.

2. EMPLOYMENT AGREEMENTS



There are two main types of employment contracts for employees in Mexico. Every employee must enter into an individual employment agreement with the employer or a collective bargaining agreement, setting out the terms and conditions of the employment.

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.

In the case that the employer has entered into a union agreement, a Collective Bargaining Agreement is an additional agreement that sets forth the negotiated and agreed labor conditions, to be renewed and adopted by all hourly employees. The salaries are reviewed annually and benefits are reviewed biannually. In some cases the CBA does not include certain skilled employees, such as technicians or engineers, even if they are otherwise considered hourly employees.



Required information established in the employment contracts include, but are not limited to:

- Personal identification information such as name, nationality, age, sex, employment number, tax ID number, personal address and the employer

- Term of employment

- Services to be provided, or job description

- Work schedule and location of work

- Salary and benefits

- Payment schedule

- Any additional conditions such as vacation days, teleworking, or required travel or expense reimbursement

Collective Bargaining Agreements must also be in writing and contain the following:

- Names and addresses of entering parties

- Term of employment

- Work schedule and location of work

- Rest days and holidays

- Salary and benefits

- Employee training, salary bands, onboarding training

- Other conditions established by the parties



INDEFINITE CONTRACTS

Indefinite contracts, or those without an end date, provide job stability to the employee. It may also be considered continuous work without a pre-conceived term or specific activity with conclusion. The parties may agree that the required work be done periodically, seasonally or altogether not required for a short period and still maintain a contractual employment agreement on the basis that the labor requirement will return.

DEFINITE CONTRACTS (TEMPORARY)

The Federal Labor Law stipulates that a specific time period for labor contracts may be agreed upon only when required by the nature of the work provided.

This may also be the case of temporary replacement of another worker, such as for parental or approved sick leave.

Refer to the Labor Reform section for additional requirements for temporary or specialized work.

PROBATIONARY PERIOD

The parties may enter into a probationary period of an employment contract whereby during this period the employee agrees to provide their services in order to acquire the necessary knowledge and skills to perform.

This agreement must establish a training period of 3-6 months, as a general rule. During this period, the employer can establish that the employee has the necessary knowledge and skills to perform job tasks. This period cannot be extended, and must also be a written, executed agreement between the parties.

The employee, during this period, will be entitled to all Social Security benefits. If the labor relationship continues once the probationary period concludes, the labor relationship will be considered for an indefinite term and the seniority accrued during the training and probationary period.

If the employee is found to not possess the qualifications or skills required for the position, the employment agreement may be terminated upon completion of the probationary period



without issuance of severance payments to the employee. The cause for dismissal must be submitted in writing, submitted directly to employee or in front of the Conciliation and Arbitration Labor Board within 5 labor days. If this is not done according to legal procedure, the dismissal will be considered unjust and the employer will be required to provide the legal severance payment.

NON-COMPLETE CLAUSES

There is no specific Mexican legislation to prohibit the use of non- compete or other restrictive clauses, but it is rarely enforceable. Mexico's Constitution protects its citizens' freedom to engage in lawful work. As an exception, the divulgence of trade secrets is a justified cause for dismissal, see Employee Termination section.

PRODENSA RECOMMENDATION

The Federal Mexican Labor Law is designed to protect the employee, and in the case of a labor dispute or demand, the burden of proof is on the company. It is very important to maintain a culture of strict documentation to be used as support or proof in labor disputes.

BONUS & COMMISSIONS

Salary as defined by the Federal Labor Law includes cash payments for wages, bonuses, housing provided by the employer, premiums, commissions, in-kind benefits, and "any other amount or benefit that is given to the worker for their work". It does not include profit-sharing.



EMPLOYEE TERMINATION

An employer may dismiss an employee only when there is justified cause for dismissal. Specific conduct may be grounds for dismissal, if documented:

- Use of false documentation to obtain employment

- Dishonest or violent behavior against employer, employers family or co-workers that disrupts work discipline

- Acts of sexual harassment

- Sabotage in the workplace

- Negligence in the workplace, or carelessness that threatens the safety of the workplace

- Immoral acts in the workplace

- Disclosure of trade secrets

- More than 3 unexcused absences in a 30-day period

- Insubordination

- Failure to adopt preventive measure or follow safety procedures

- Reporting to work under the influence of alcohol or narcotic drugs

- Incarceration

- Carrying weapons on company property



In these aforementioned cases, a legal severance payment is not required to be paid by employer as long as sufficient documentation is provided that proves the case, over time. The employer must pay all benefits due, including commissions, on a prorated basis until the date of termination.

In the case of insolvency of a business, salaries earned over the last year of operation and the compensation due to workers has the priority over any other credit. Workers may collect debts directly from the employer or through arbitration and conciliation boards.

If a collective dismissal is required, it must be legally permissible, and must be negotiated with the active union according to the Collective Bargaining Agreement. In some cases the union may negotiate a higher severance payment than marked by law, arguing that an additional premium is necessary due to certain circumstances.

PRODENSA RECOMMENDATION

It is worth stating again. The burden of proof lies on the employer. It would be wise to include a labor attorney on delicate or complicated situations.



LEGAL SEVERANCE

If the dismissal does not meet the criteria to be considered justified, workers are entitled to the following payment upon liquidation of their services:

- 3 months of salary, plus

- Seniority premium, 12 days of salary for each year of service (capped at two times the minimum daily salary) for employees with more than 15 of seniority, plus

- Seniority severance if applicable, 20 days of the employees salary for each year of service, plus

- Due benefits and other payments

The separation agreement must be in writing and contain a detailed description of the facts that motivated the dismissal, as well as the rights of both parties. It must be ratified before the Conciliation and Arbitration Labor Board which will approve it as long as it does not waiver the rights of the employee.

LABOR REFORM 2019

The Mexican Labor Reform published the first of May 2019 is considered to be the most profound change to Mexico's labor legislation in recent dates, notably for the transformation of the labor justice system. This will shift power from the executive to the judiciary branch, creating labor conciliation centers to attend disputes and lawsuits.

The second most relevant change is related to the freedom of association and collective bargaining. This marks a new stage in both trade union life and the dynamics through which collective working conditions are carried out in Mexico.



OUTSOURCING REFORM 2021

The Mexican government implemented a significant labor reform in 2021 that effectively restricted outsourcing (also known as subcontracting) for certain activities within companies. This reform aimed to address concerns about worker exploitation and unfair labor practices associated with some outsourcing arrangements.

- Outsourcing of personnel is prohibited (no company is able to hire via outsourcing workers to perform activities that are part of the core business or main activity of the company).

- Outsourcing or specialized services will still be permitted

- Companies providing specialized services will need to file and secure a new registration before the labor authority

- Share services (companies from the same group providing specialized services to a sister company or companies from the same group) are allowed

- A new cap of a minimum of 3 months salary are included in the profit-sharing rules

- Higher fines are being enforced for companies not complying with the rules

The Mexican outsourcing ban represents a major shift in the country's labor landscape. It seeks to protect workers' rights and promote fairer labor practices, but it has also brought challenges for businesses that relied heavily on outsourcing arrangements.



3. HIRING FOREIGN EMPLOYEES

Foreign employers that do not have legal presence in Mexico must be aware of the following before hiring an employee in Mexico:

- All employees in Mexico, regardless of nationality of employer or employee are covered by the Mexican Federal Labor Law.
- In order to hire an employee directly in Mexico, it is necessary to have an incorporated company in Mexico, or work with a professional third party payroll service, subject to new requirements in the 2021 reform.
- The employer must be registered in the Immigration Authority as a foreign employer.
- Up to 10% of a company's employees may be foreigners. Each foreign employee must have a working permit in Mexico, either temporary or permanent residency visas. All technical and professional employees must be Mexican nationals, unless there are no qualified Mexican nationals for a particular, specialized field. These provisions do not apply to directors, administrators, or general managers of corporations.
- Employees on a Mexican payroll must be determined legal residents for tax purposes, and subjected to pay income tax. If an individual qualifies as a resident but receives wages directly from abroad, they shall be required to calculate and pay monthly tax directly in Mexico.
- If an employee works more than 180 (non-consecutive) days within a calendar year in Mexico, they are required to pay income tax in Mexico. Additional requirements may apply in their home country.

Foreigners visiting plants in Mexico will need passport, valid visa as a business visitor. Facilities must be prepared for an inspection and have documentation of any foreigner on premises.



PRODENSA RECOMMENDATION

Foreign employees must review their own income tax strategy, especially when being paid in two separate countries. Special consideration should be taken for these cases and an international tax authority should be consulted.

If outside of your home country for more than 180 days in a calendar year, it will be required to declare income taxes in an international way. It is important to plan your income tax strategy carefully with an expert.



4. PAYROLL

Employees in Mexico are usually paid every 14 or 15 days, depending on the specific company policy. In most industries, hourly employees are paid weekly.

PAYROLL TAX

There is a payroll tax in Mexico according to each state, shown to the right.

The base for the calculation includes wages, overtime, bonuses, cash and non-cash benefits, employer contributions to savings fund, seniority bonus, and administration payments.

It excludes work materials, food, room & board, retirement benefits, funeral costs, Social Security fees, travel expenses, interest on personal credit, insurance premiums, profit-sharing, and persons hired with disabilities.

Other specific requirements for payroll taxes may be required by each Mexican state.

Mexican Payroll Tax			
State	Tax	State	Tax
Aguascalientes	2%	Morelos	2%
Baja California	1.8%	Nayarit	2%
Baja California Sur	2.5%	Nuevo León	3%
Campeche	2-3%	Oaxaca	3%
Chiapas	2%	Puebla	2.5%
Chihuahua	3%	Querétaro	2%
Coahuila	2%	Quintana Roo	3%
Colima	2%	San Luis Potosí	2.5%
Ciudad de Mexico	3%	Sinaloa	2.4-3%
Durango	2%	Tabasco	2.5%
Estado de Mexico	3%	Tamaulipas	3%
Guanajuato	2.3%	Tlaxcala	3%
Guerrero	2%	Veracruz	3%
Hidalgo	0.5-2%	Yucatán	2.5%
Jalisco	2%	Zacatecas	2.5%
Michoacán	2%		



It excludes work materials, food, room & board, retirement benefits, funeral costs, Social Security fees, travel expenses, interest on personal credit, insurance premiums, profit-sharing, and persons hired with disabilities.

Other specific requirements for payroll taxes may be required by each Mexican state.

MINIMUM WAGE

The minimum salary is set annually and becomes effective on January 1st of each year. It is set by the National Commission for Minimum Salaries, considering the basic amount necessary for the housing, household furnishings, food, clothing, transportation as well as needs related to education and those of social and cultural nature.

MINIMUM DAILY WAGE IN MEXICO





As of January 1st, 2024 the minimum daily wage in Mexico is 248.93 pesos per day and \$374.89 pesos per day along the Mexico-United States border zone. This represented a 22% increase as an extraordinary adjustment to inflation and cost of living.

Main Cities in North Border Region					
Baja California	Sonora	Chihuahua	Coahuila	Tamaulipas	Nuevo León
Ensenada	San Luis Rio Colorado	Janos	Ocampo	Nuevo Laredo	Anáhuac
Playas de Rosarito	Puerto Peñasco	Ascensión	Acuña	Guerrero	
Tijuana	General Plutarco Elias Calles	Juárez	Zaragoza	Mier	
Tecate	Altar	Praxedis G. Guerrero	Jimenez	Miguel Aleman	
Mexicali	Saric	Guadalupe	Piedras Negras	Camargo	
	Nogales	Coyame del Sotol	Nava	Gustavo Díaz Ordaz	
	Santa Cruz	Ojinaga	Guerrero	Reynosa	
	Cananea	Manuel Benavides	Hidalgo	Rio Bravo	
	Noco			Valle Hermosa	
	Agua Prieta			Matamoros	

Until recently the federal minimum wage was used as an indicator for determining certain official prices, such as speeding fines and home loans, which for years were determined in multiples of minimum wage. The Unit Measure and Update, or UMA replaced this system, and is the economic reference to determine the amount of payment from obligations and alleged assumptions provided for in the federal law. The UMA values have implications for tax and social security contribution determinations. It is a measure of calculation updated annually. Effective February 2024, the current UMA rate is \$108.57 pesos per day.

BENEFITS

Benefits are an important aspect of the employee compensation plan. Industries vary, but benefits packages commonly amount to an additional 28-40% of base salary cost to employers considering mandatory-only benefits and up to 80-100% considering fringe benefits, as an effort to retain skilled employees.



MANDATORY BENEFITS

The Federal Labor Law provides for the following minimum benefits:

1. Social Security Benefits - Mexico has a strong social welfare system that provides basic yet complete services to registered employees and families. It is funded by employer, employee and government.
 - Mexican Institute of Social Security (IMMS)
 - National Workers Housing Fund Institute (INFONAVIT)
 - Retirement Savings Program
 - National Fund Institute for Workers Welfare (INFONACOT)

Social Security provides medical and surgical services, pharmaceutical and hospital needs, work risk insurance, disability and life insurance, retirement insurance, unemployment insurance, old age pensions, social and childcare services, and low-interest home loans. These services vary by quality and availability for certain illnesses.

2. Profit-sharing is mandatory for all companies, with exceptions to some companies during their initial incorporation period. Employees are entitled to 10% of company’s gross, pre-tax profit. The highest ranking officer of the company is not entitled to this benefit.
3. Paid Holidays, as observed by the federal government
4. Paid Time Off - upon completion of 1 year of seniority, the law dictates a number of vacation days to be taken in the following year:

Annual Vacation Days in Mexico	
Years Worked	Vacation Days
1	12
2	14
3	16
4	18
5	20
6 to 10	22
11 to 15	24
16 to 20	26
21 to 25	28
26 to 30	30
31 to 35	32



5. Vacation Premium, an additional 25% of daily salary for each day of vacation taken
6. Christmas Bonus - 15 days of daily salary, paid no later than December 20th of each year

Few industries provide only minimum mandatory benefits. Many companies, in an effort to promote social welfare and employee retention, provide additional support, both in increased amounts of mandatory benefits as well as other types of benefits to employees.

FRINGE BENEFITS

These benefits vary by industry and region, but may include:

- Savings fund is an additional savings opportunity for employees, and is capped at 1.3 times UMA value in order to be tax deductible. If the awarded benefit is \$100 pesos per day, the employer may contribute up to \$100 pesos per day to each employee, capped. Different rules for the access of this fund may apply. This is a matched fund by employee-employer, available to employee once per year.
- Food Coupons are additional cash benefits and are capped at 1 times UMA value in order to be tax deductible. If the awarded benefit is \$89 pesos per day, the employer may contribute \$89 pesos per day to each employee. The monthly allowance is put on an electronic card and used to pay for groceries and supplies. Restrictions apply.
- Performance or Productivity Bonus is tied to KPIs or general performance and awarded monthly to hourly workers or annually to salaried workers.
- Attendance or Punctuality Bonus is usually given to hourly employees as a bonus per week upon compliance of the internal attendance and punctuality rules.
- Car Allowance is an option to cover the cost of an automobile, or a leased company vehicle is also common for executives or traveling employees.
- Gasoline Vouchers is a competitive benefit awarded to many managers and executives as well as sales associates or those required to travel for their job performance.



- Cafeteria Services are paid or subsidized food services usually provided by larger manufacturing or industrial companies where large groups of employees must rest and eat in an efficient manner.
- Transportation Services include paid or subsidized transportation in the form of contracted company buses or public transportation or parking vouchers.
- Private Medical & Life Insurance is important for salaried employees, and in many industries has become a market expectation at least to provide coverage for the employee, and the most competitive packages will also include their families.
- Uniforms & Personal Protection Equipment
- Scholarship Bonus is an option that can assist the employee or family with educational expenses, either for children’s scholarship or school supplies as well as an employee’s continual education.

Some additional examples of average costs are shown below.

Additional Employer Costs	
Service	Estimated Cost (USD)
Cafeteria	\$585 per Employee per Year (1 meal per day, 50% subsidized by company)
Private Security	\$5,000 per Month (2 guards, 24 hours)
Daycare	\$25 per Child per Month
Private Transportation	\$750 per Employee per Year (2 ways, daily - bus for 40 people)



EMPLOYER OBLIGATIONS

Employers in Mexico are obligated to fulfill workplace norms as marked by law, pay their employees as established in the contract, provide work materials and accommodations for completion of required activities, provide a paystub every pay period, allow employees flexibility to vote or hold positions in the union, provide union information to employees, provide technical training to ensure a safe labor environment, comply with health & safety laws and emergency protocols including inspections, and implement a non-discrimination protocol.

Employers must also pay a series of obligations per employee for Social Security. Refer to the total cost exercise in the following section for more detail on employer obligations.

5. PROMOTION SYSTEMS



Although there are no specific requirements in the Mexican Federal Labor Law for the types of promotion systems, there are several associated comments. The law does not define how to make salary bands, nor does it obligate a company to have them pre-defined, but it does require distinguished positions in the workplace.

The promotion systems must be generalized and summarized in the Collective Bargaining Agreement with the union or the internal work rules. These must be reviewed on an annual basis and should be published in the workplace.

Promotions must first take into consideration internal employees. In fact, the law stipulates preferential promotion rights based on seniority, followed by an evaluation on skills and knowledge.



PRODENSA RECOMMENDATION

It is important to have clear and documented promotion systems, available for all employees to see. As employees in Mexico have higher collective tendencies (see Labor Culture section of this document), pre-established salary bands that correlate to experience and knowledge must be fair and clear.

Promotion systems should be based on evaluations. Salary increases are based on the following criteria: absenteeism, safety, training metrics, quality certifications, seniority, production knowledge, and technical abilities. For entry-level employees with strong experience or knowledge, an initial evaluation is applied and the employee may be able to start at a higher salary band. In some companies, the successful completion of the training period is awarded with a salary increase.

Some real examples are shown below. Daily salaries are shown in Mexican pesos. The example is less about salary benchmarks and more focused on promotion systems and wage band examples.



Operators			Notes
Time	Wage	Name of Title	
Training	\$195.00	Trainee	The Operator A trains for 3 months then signs a permanent contract but does not receive a salary increase. Category changes depending on performance evaluation and attendance.
3-6 Months	\$195.00	Operator A	
6-12 Months	\$204.36	Operator A	
12 -18 Months	\$225.38	Operator B	
18-24 Months	\$236.19	Operator B	
24-30 Months	\$264.80	Operator C	
30+ Months	\$277.50	Operator C	

Production			Notes
Time	Wage	Name of Title	
0-18 Months	\$187.50	Non-Skilled Operator	There are sub-categories under each listed category where small salary increases may be applied according to evaluations. The category periods are estimated and can vary greatly.
	\$210.00	Non-Skilled Operator	
	\$236.99	Non-Skilled Operator	
18-36 Months	\$265.46	Semi-Skilled Operator	
	\$323.99	Semi-Skilled Operator	
36 + Months	\$356.99	Skilled Operator	
	\$413.99	Skilled Operator	

Production			Notes
Time	Wage	Name of Title	
Training	\$293.82	Subassembler*	The Subassembler* passes an evaluation and signs a permanent contract at 3 months but does not have a salary increase.
3-6 Months	\$293.82	Subassembler	
6-12 Months	\$342.68	General Operator	
12 + Months	\$428.64	Specialized Operator	



Technicians			Notes
Time	Wage	Name of Title	
Training	\$473.69	Unskilled Technician	Promotion only upon availability of open positions
3-6 Months	\$473.69	Semi-Skilled Technician	
12 -18 Months	\$493.43	Skilled Technician	
24+ Months	\$597.05	Specialized Technician	

Maintenance Technician			Notes
Time	Wage	Name of Title	
0-12 Months	\$356.99	Semi-Skilled Technician	There are sub-categories under each listed category where small salary increases may be applied according to evaluations. The category periods are estimated and can vary greatly.
	\$413.99	Semi-Skilled Technician	
12-24 Months	\$456.81	Skilled Technician	
	\$476.25	Skilled Technician	
24 + Months	\$524.85	Highly Skilled Technician	
	\$545.93	Highly Skilled Technician	

Maintenance			Notes
Time	Wage	Name of Title	
Training	\$450.00	Entry Maint. Technician*	The Entry Maintenance Technician* passes an evaluation and signs a permanent contract at 3 months but does not have a salary increase.
3-6 Months	\$450.00	Entry Maint. Tech.	
6-12 Months	\$518.82	Maintenance Technician	
12-18 Months	\$641.25	Qualified Maint. Technician	
18+ Months	\$686.10	Specialized Maint. Technician	



6. UNIONS



The Federal Labor Law defines a union as “the association of workers or employers for the study, advancement, and defense of their respective interests”. In Mexico, they are a powerful force within legislative bodies and have introduced and supported most of the social legislation.

Unions typically represent only hourly employees, and salary employees must be expressly excluded from the CBA. Strictly speaking, no one is forced to join a union, but if workers wish to join a union, the company would be required to sign a collective agreement following the labor procedure.



Types of labor unions include:

- Trade unions including employees of the same profession, skill or speciality
 1. Corporate unions with employees of the same company
 2. Industrial unions with employees of two or more companies in the same industry
 3. National industry-wide unions that span two or more states and various trades
- Multi-craft unions, established in companies that do not have 20 or more of the same profession, skill or speciality

There are also different types of employers unions or associations:

- Those formed by employers in one locality who are engaged in one or more activities
- National associations, comprising employers in several states

Among other things, labor unions may do the following:

- Review and verify the annual tax declarations filed by employers
- Initiate a collective dispute on economic issues
- Sign collective agreements on behalf of employees
- Between employee-employer committee, communicate the participation of employees in profit-sharing
- Oversee the operations of the training system
- Negotiate salary increases annually and general work conditions and benefits bi-annually
- Participate in the drafting of work rules
- Deal with occupational safety and health issues

A labor union may lose its right to represent workers in a collective agreement if the conciliation and arbitration board determines that it no longer represents the majority of the workers, which allows for other unions to acquire that right.

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.

Outside of labor unions, employees have the right to designate representatives to be part of coalitions, generally health & safety, profit-sharing, training, etc.



UNION REFORM 2019

Labor Law Reform to:	Key Changes	Relevant Effects
New labor justice system and labor conciliation	Major transformation to the Labor Law system to transition from the current administrative system to a new court system dependent from the judiciary branch	Disappearance of the Conciliation & Arbitration Boards and creation of new Labor Courts
	New Conciliation Centers will be created making the conciliation process mandatory	A new pre-judicial conciliation procedure is created: workers and employers in conflict will now be required to attend this new process before initiating any labor trial
	A new Federal Labor Registry is created to be in charge of the registry of unions and the registration of Collective Bargaining Agreements	All Collective Bargaining Agreements will be public. Unions will be required to demonstrate democratic and free leadership elections
Freedom of association	Freedom of association and free selection of union	Workers will be free to affiliate to the union of their choice. Companies will negotiate the Collective Bargaining Agreement with the union that represents the majority of the workers
	New provisions to guarantee the workers' representation for the Collective Bargaining Agreement registration as well as the annual negotiation	A new Representation Certificate is created requiring a minimum (30%) representation from the workers
	New open and transparent systems of union elections and union transparency	The workers will now be taken into consideration when approving the execution of a collective labor agreement
Other relevant changes	Employer's obligation to hand-deliver a copy of the collective labor agreement to all employees	Annual revision will now require the approval of the majority of workers
	New obligation to create a protocol to prevent discrimination based on gender and to address cases of violence or sexual harassment	Companies will need to keep records, written evidence that a protocol has been created, that has been communicated and that all workers are aware of it
	Labor rights granted to domestic workers	Domestic workers will be affiliated to the social security



UNION FEE STRUCTURES

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, and the annual company fee is negotiated, sometimes based on annualized minimum wage.

PRODENSA RECOMMENDATION

It is imperative to permit the right of the freedom of association of the workers in the company, so that they decide if they want to have a union or not, and to what kind of representation they choose to have.

In Mexico, it is not a requirement to have workers hired in order to execute the CBA. It is also not a requirement to have a selected union in order to sign the CBA.

The HR personnel have the capacity to develop and maintain the labor relations with the labor force. It is an important relationship to maintain amongst the workforce.

It is critical to identify the internal leadership for the proper management of labor force and to ensure business continuity of the company. These internal leaders are the direct communication and influence with the majority of the workforce.



LABOR CULTURE

LABOR CULTURE



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 succeed in promoting productivity.

The term “family” goes beyond blood relation to include other social constructs such as boss and coworkers, where supervisors of the company promote the “care” over employees on a more personal level as if they were blood family. This typically translates to brief conversations, acknowledgement and appreciations.

At times this family environment muddies the separation of personal matters in the workplace. Leaders are encouraged to establish boundaries and seek mutual trust and respect. If the relationship is fostered a manager can expect loyalty in return for appreciation.



COLLECTIVISM

Traditionally authority has been concentrated in the upper hierarchies of corporations, although many more companies have adapted to more collaborative environments. This labor culture requires managers to be more “hands-on” in the management of employees.

Employees may feel discouraged to speak out or express differences of opinion publicly. Mexicans tend to shy away from perceived confrontation in the workplace. This culture culminates in a more collectivism approach to completing work tasks instead of an individualistic one.

TIME

If you ask any foreigner who has worked for a time in Mexico, they may report that the biggest difference in cultures is in the conception of time.

Mexican employees have a broader view of time with the time of occurrence less important than the occurrence itself. There is generally no offense to the alterations of schedules, and tasks may continue into the night or be moved to the next day.

Region	View of Time	Characteristics	Example
Western	Time is money; if you want to benefit with profit, you have to move fast. Time is a clock and calendar-related; precise.	“Wasted” “Spent” “Saved”	Today’s events (A-F) are scheduled on the hour and should be completed before next one begins.
Latin America	Human interaction is the most appropriate way to invest time. Importance is placed on the occurrence of the task, not the time of the occurrence. Time is an event or personality-related.	“Molded” “Stretched” “Manipulated”	The theory is close to Western cultural sense of time, but the reality is that A-F are mostly completed in order, but the scheduling of time may be altered; tasks may go into the night or moved to the next day.
Asia	Time is cyclical and unending. The sun always rises and sets and the seasons cycle. Time is not a scarce commodity. Time is considered in the long-term after careful reflection and consideration of strategy. It is divided in the interest of properness, courtesy and tradition.	“Renewable” “Unwrapped” “Segmented”	A-F are in a pool of tasks; careful analysis of history, current resources and strategy. A different order for A-F may arise and certain tasks may be dropped after days of consideration. The completion of certain tasks may unwrap others. Time segments mark significant phases.



EMPLOYEE RETENTION

A continual challenge across many industries in Mexico is the retention of key employees. Employee retention costs an average of 50% of a low-skilled employees annual salary and up to 200% annual salary for a highly skilled or sales employee.

Turnover in the manufacturing industry, depending on location, consistently reaches 8% per month among low and semi-skilled workers. There are many reasons for this turnover with some of the most common being: competitive salary and benefits, schedules/shifts, transportation or distance to the factory, and the quality of middle leadership.

Due to the general high cost of replacing employees, it is important to focus on retention tactics that retain the most high-performing employees. It is of utmost importance to retain middle leadership and supervisors as they are a driver to the blue collar or semi-skilled workforce that generally makes up a large part of a company.

PRODENSA RECOMMENDATION

It is important to benchmark wages and benefits among the specific industry, city and even industrial park. When all else is equal, employees can be motivated to change companies for a very small amount of money.

Additionally it is important to give a detailed value of the total compensation package so employees can be aware of total rewards in the case of being tempted by other labor offers. It is also important to communicate the promotion system with the requirements for each step, as well as resources for training or continual education that can support the employee to achieve it.

In Mexico, although there is generally a great cost-savings over low- skilled and mid-skilled positions, there is often little cost differentiation between high skilled, administrative and executive positions in Mexico versus other countries. It is important to obtain multiple benchmarks and plan accordingly with a cost analysis.

Thank you!

COST OF LIVING



COST OF LIVING



The cost of living varies from city to city in Mexico. Generally speaking the cost of living is 50% lower than in the United States, as a standard benchmark.

A few prices in Mexico, USD:



McDonald's combo meal \$5.00



Childcare, per month \$160.00



Bottle of water 1L \$.50



Electricity 1 month \$40.00



Rice 2.2 pounds \$1.00



Apartment 1 bdrm \$350.00



Gasoline 1 gallon \$4.00



Apartment 3 bdrm \$600.00

As a general benchmark a family of four can live comfortably on \$1,750 USD per month plus the cost of housing.



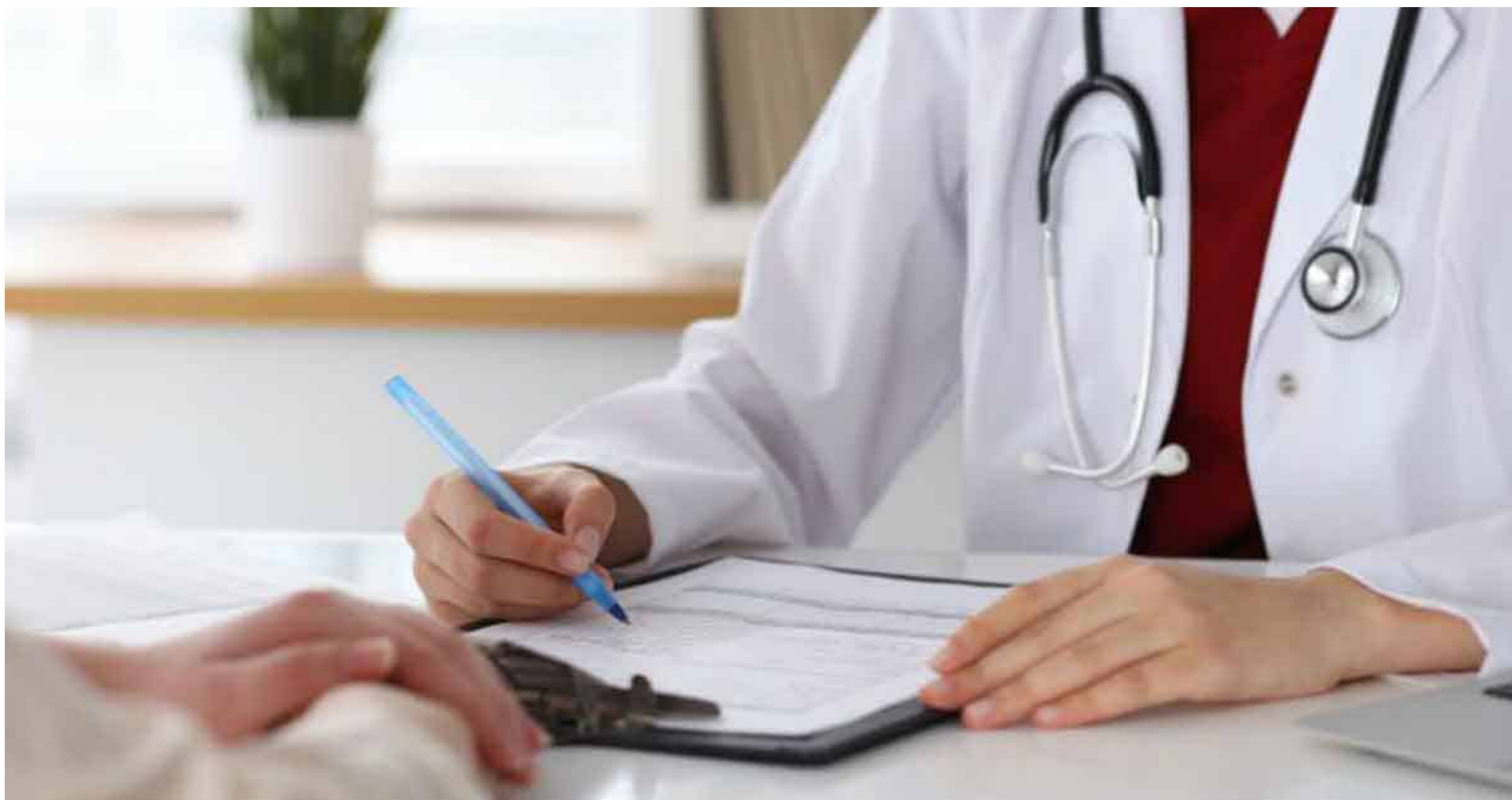
EDUCATION

Culturally, the education system is quite different from other countries. There are public and private schools, and a larger percentage of families send their children to private schools compared to other countries. Private schools are costly, from \$250 USD per month to upwards of \$1,000, depending on the type of school. Uniforms are almost always required. Most schools hold classes from 8:00am until 2:00pm, and lunch is not provided. Transportation to and from schools is usually not provided. Primary school is grades 1-6, junior high school is grades 7-9 and high school is 10-12. There are many options for higher education including 2 year technical degrees and 4 year University undergraduate degrees. There are many top notch universities in Mexico ranked in the top of all of Latin America.

Higher education tends to offer curriculums with a focus on mix of theory and professional practice. Many students are required to obtain these professional and social practices within companies or social agencies. Schedules permit many students to hold at least part-time positions, and the importance of this experience is built-in and stressed in the curriculum. Many universities also partner with local businesses to provide real-life problem-solving activities and projects, creating a strong link for employment opportunities. In fact, many students already have a job lined up before they graduate.

Mexican universities have great international agreements with universities all over the world and it is more and more common for Mexico's middle class to study abroad.

Top Universities in Mexico		
University	Location	Specialty
Universidad Nacional Autónoma de México (UNAM)	Mexico City	History, Philosophy, Education
Tecnológico de Monterrey (TEC)	Monterrey	Engineering, Science & Technology, MBA
Instituto Politécnico Nacional (IPN)	Mexico City	Computer Science, Engineering, Physics
Universidad de Guadalajara	Guadalajara	Arts, Culture, Medicine, Engineering, Basic Sciences
Universidad Iberoamericana	Mexico City	Law, Economics
Instituto Tecnológico Autonomo de México (ITAM)	Mexico City	Political Science, Business, International Relations, Economics
Universidad Autónoma Metropolitana (UAM)	Mexico City	Basic Sciences, Engineering, Design
Universidad de Nuevo León	Monterrey	Medicine



HEALTHCARE

Healthcare in Mexico is provided by public institutions run by government departments, private hospitals and clinics, and private physicians.

All Mexican employees pay into Social Security which provides basic healthcare services to employees and their families. See the Labor Systems section for more detailed information. Many salaried employees receive private healthcare insurance as a market competitive benefit which allows them to attend private hospitals for medical care.

Mexico boasts renowned hospitals, and often receives a steady medical tourism income, from common and necessary surgical procedures to elective or cosmetic procedures. Medical staff in larger cities are prepared for the reception of foreigners and provide top-notch care.

Social Security hospitals and clinics provide complete medical care for all employees, from basic check-ups to surgeries and cancer treatments, for example. Dental and vision check-ups are typically affordable without medical insurance, and prescription medications as well, although there is an assistance for low-income individuals.



RECRUITMENT PRACTICES



RECRUITMENT PRACTICES

There are no specific laws or rules applicable to recruitment. Employers may use judgement and determine all necessary requirements for employment.





NON-DISCRIMINATION

The Mexican Federal Labor Law states that employees shall not be discriminated against on basis of race, nationality, sex, age, disability, religion, political opinion, migratory condition, health, sexual orientation, or social rank.

USMCA also has provisions for non-discrimination in the workplace. The new agreement establishes the Rapid Response Labor Mechanism which allows swift enforcement and action for non-compliance on labor and other issues in the USMCA.

Employers found in violation of any of the above practices of discrimination will be subject to a fine of 250 to 5,000 times the active Unit of Measurement or UMA as explained in the Employer Obligations section, in addition to sanctions and penalties associated within the USMCA agreement.

In recent years, with the increased emergence of digital recruitment practices, candidates and other Human Resources professionals have taken a stance against employment discrimination practices, re enforcing the need to avoid any practice perceived as discrimination in the employment process.

PRE-EMPLOYMENT SCREENING

Employers may conduct a variety of pre-employment screenings, as long as the results do not adversely affect the employment decision. The applicant or employee must be aware of any pre-employment screening to be performed, and sign a waiver to release their information. Confidentiality is strictly required, as well as compliance with data privacy laws and regulations.

MEDICAL EXAM

A medical exam is one pre-employment screening common among many industries in Mexico, mainly the manufacturing industry. Employers seek to ensure safe working conditions and employee abilities, including hearing and vision testing, spinal and neck x-rays, among others. Many industrial parks have incorporated medical laboratories for pre-employment and frequent employment health screenings to protect and elongate employee health. As it may have been a previously common practice, it is now completely prohibited to perform a pregnancy screening.



A drug test can be performed and employment may be subjected to the results, either as a pre-employment screening or periodically and random.

BACKGROUND CHECK

Background checks are subject to the applicants consent through a signed waiver of release of personal information. Some employers may require that each applicant supplies this documentation from an approved supplier. The information obtained must be handled strictly confidentially, and in accordance with the privacy policy.

EMPLOYMENT REFERENCES

Letters of recommendation are often required by employers. Verification of employment can be conducted through Social Security records. Personal or professional references may be given, and upon approval of applicant, a screening interview may be conducted according to availability and willingness of each reference.

SOCIOECONOMIC REFERENCES

Socioeconomic references are extensive on-site surveys that give indicators into the applicants home life and living situation. This type of study is indeed invasive and uncomfortable but many employers find the information obtained to detect any red flags for key positions in finance or warehouse, among others. Employers may legally conduct credit checks for certain positions in banking, but denying a job based on bad credit would be considered discriminatory practice.

For all types of pre-employment screening, the law may prove more ambiguous than anything. Above all it is important to have clear justification for obtaining any candidate information, obtain it through legal channels, have signed waivers, and protect the confidentiality of applicant data.

The Federal Labor Law allows employers to terminate any employee within 30 days if the employee used false documentation, references or qualifications to obtain the position.



JOB BOARDS

There are many popular job boards in which candidates in Mexico seek employment.

- OCC Mundial is the most commonly used job board with a very high number of candidates over many diverse industries. Employers will need to purchase credits to publish vacancies as well as review certain contact information of candidates.
- LinkedIn is a more professional job board with more international vacancies at a mid to highly skilled level of candidates. If seeking salaried employees, headhunting through LinkedIn is a good place to find and contact candidates.
- Bumeran is another job board for all levels of vacancies, but not as commonly for international or bilingual necessities.
- Indeed is fairly common and successful in placing candidates into all types of positions, although it is not as widely known as OCC, for example.
- VacantesMexico is a more local, operational job board for placing low to mid-skilled employees.
- SoloEmpleos is an example of a printed and online vacancy publication for local positions, placing low to mid-skilled employees. Different cities in Mexico have their own version, and it will be important to locate the most commonly circulated flyers to the employment location. They can usually be found in convenience stores.

MASSIVE RECRUITMENT

Although more and more digital recruitment tools are available on the market, it has still not shown optimal results to rely on them to conduct massive recruitment strategies for operations start-up or expansion.

Candidates rely on word-of-mouth recommendations from trusted associates in their community, and having a top employer brand as well as engaged employees is key to reinforce the positive company image. Job openings are often posted in public locations and include key vacancy data such as: company location, weekly pay and bonuses, benefits, available shifts and schedules, and additional perks that call attention such as training or onboarding programs. It is important to reinforce a positive employer brand with adequate follow-up for candidates throughout the application process.



When hiring for start-up or expansion, it is recommended to organize a local massive event in a centralized public location to promote brand awareness and invite a multitude of candidates to register for employment opportunities. These events can be cumbersome and require tens of organizers providing logistics, contact registration, resume screening, and interviewing on the day(s) of the event as well as office support for follow-up and hiring.

Local governments often give basic support such as location and some publicity to the event. It is wise to provide some kind of shade, chairs, water and possibly a snack if the wait times will be long. The location should be along major bus routes, and the schedules should consider that candidates will stop by before or after their shifts, and possibly with their children.

SKILLS ANALYSIS

It is difficult to compare two educational systems across distinct countries; they produce two different individuals. Mexicans tend to respond to the world differently, their leadership style is different, and the way they relate to the people is more personal.

One specific area in which Mexico excels in the global context is in the Science, Technology, Engineering, Mathematics (STEM) fields. Mexico produces more STEM graduates than other comparable countries and has lower wages in the fields than many of the top developed countries of the world. This provides a ripe talent infrastructure for foreign and domestic investment across many fields.

The budding tech sector in Mexico is supplied by a continually growing number of computer science and engineering students. Many corporations that visit their branches in Mexico report impressive depth of talent and work culture, similar to their home offices. With the expected continuation of home office opportunities, Mexico is positioned for success in this sector as well as others.

Reliance on foreign direct investment has shaped the labor landscape to provide opportunities for companies matched with Mexico's labor force. In addition to STEM fields, Mexico boasts large, young talent pools and has newly emerging careers in industrial design, robotics and data science that meet the demand of a changing global marketplace.



English level is an important indicator for economic competitiveness. A higher English level as a country has been associated with better business conditions and possibilities for workers. It is the universal language of STEM fields. The level of English in Mexico on average is not as good as other similar countries due to the high educational inequalities. Among higher education and business sectors, it is required as part of most curriculums and as a prerequisite for many business jobs.

Although many recent reforms have sought to combat the issue, the productivity level in Mexico remains well below the OECD average, providing the steadiness of lower wages. Furthermore, high income inequality means growth and improvement at the upper levels yet stagnant growth among low-skilled and low-wage positions. Mexico continues to have a large informal economy.

Multiple reforms in the past years have worked to align educational programs to corporate labor skills requirements, as well as align the competency assessment models that measure these skills.

PRODENSA RECOMMENDATION

Up-skilling and re-skilling programs are very important in Mexico. Many programs are provided by the federal and local governments as well as the increased popularity with private programs through large corporations. With the exponential increase in technology, it is now more important than ever to create ongoing skills training programs to remain ahead of the curve and retain top talent. Remember to take into account the cultural differences in Mexico when developing programs that bring the highest return on investment.

It is also important to apply comprehensive skills assessment frequently throughout employment to detect the gaps and adjust training programs accordingly. Consider that skills gaps go beyond technical skills to also include soft skills such as: emotional intelligence, critical thinking, communication, computer software, and foreign languages, to name a few.

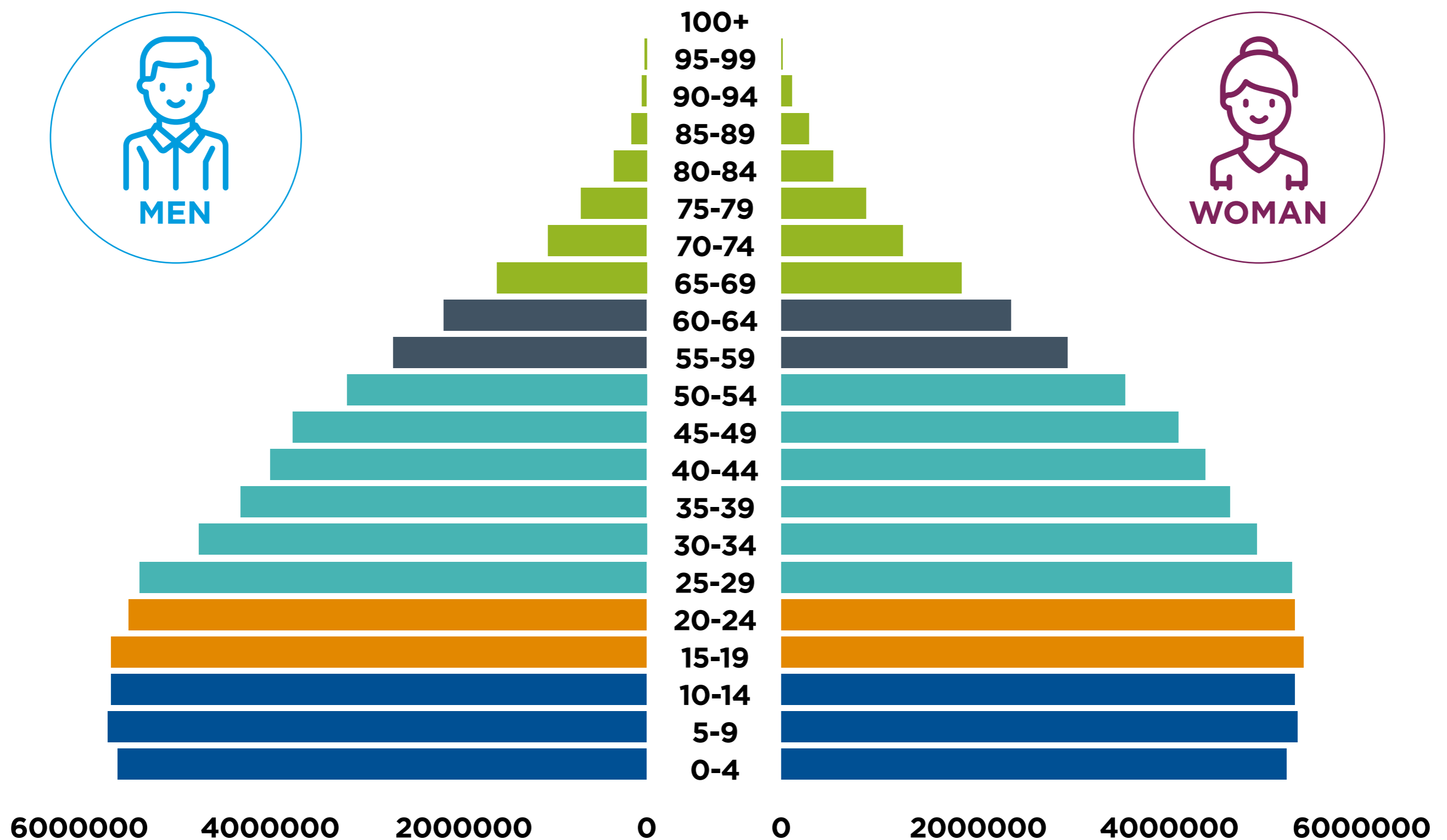
It's worth mentioning a second time. Middle management and supervisors are a key demographic to continual skills training. Their retention to the company as well as their ambassadorship of opportunities to the blue collar workforce are key to labor stability and engagement.



LABOR FORCE DEMOGRAPHICS

Mexico has a large population bonus of young working age population and minors. The total population in Mexico has steadily increased over the years to 126 million habitants, and the average age is just under 30 years old. Almost 40% of the total population is between 15 and 40 years old. These indicators point to a sustainable availability of workforce over the coming years.

Prior to the 2020 pandemic, the total economic labor force reached over 55 million employed persons. This number represents about 60% of the total population, and has held relatively steady for many years.





Women represent about 34% of the employed population, a number that had been steadily rising prior to pandemic, although Mexico continues to be a country with more traditional gender roles and single-income families. Employed men represent almost 85% of the economic labor force.

According to the National Occupation & Employment Survey, the majority of the economic labor force works in Services (40%), followed by Commerce (20%), Manufacturing (16%), Agriculture (13%), Construction (8%), Mining & Electricity (less than 1%).

Unemployment rates have settled just under 3% of the economic labor force, down from over 5% during peak pandemic.

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The aim of this E-Book is to give an overview of the Mexican labor landscape to a non-specialist during their market research and investigation stage. It is our hope that you found value in this publication, and helpful insights and recommendations from our expert staff. It is our pleasure to go above and beyond and bring peace of mind to your new venture in Mexico. If you stayed with any doubt, or would simply like to further the conversation, please reach out and schedule a session with one or more of our experts.

We look forward to accompanying you throughout your journey in Mexico, from a feasibility analysis of your specific project, to start-up and company incorporation support. Our expert advice comes from boots on the ground, rooted in 35 years of experience.

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