



EMPLOYMENT IN MEXICO



Mexico is the largest Spanish speaking country in the world. Mexico has the second largest economy in Latin America. The service sector contributes to 69% of Mexico's GDP. This includes IT and tech services. The service sector is followed by the industry sector which represents more than 25% of Mexico's GDP.

Employment in Mexico is governed by the Mexican Labour Laws.

Below is some key information regarding employment in Mexico, intended to provide a brief overview of employment law in Mexico. It is not intended as a substitute for professional legal advice and counsel.



WORKING TIME AND OVERTIME

Standard working hours in Mexico should not exceed 48 hours per week, or 8 hours per day. Overtime hours should not exceed 3 hours per day and three times in a week, meaning no more than 9 hours overtime each week. Overtime hours are paid at 100% of the normal salary. On Sundays if an employee is working within their 48 hours per week, they will need to be paid a bonus 25% of their normal salary. If hours exceed the weekly 48 per week for work on a Sunday, then the employee will be paid a 200% bonus on their Sunday salary.

An employee is entitled to a 30-minute break during a continuous workday. For every 6 days worked an employee is entitled to at least one rest day.

ANNUAL LEAVE

Full-time employees who have been employed for one year are entitled to 6 days annual leave. For each year of service this increases by an additional 2 days. It is common practice that many companies offer their employees more than the legal minimum annual leave. There are 8 public holidays.

TRIAL PERIOD

Probation periods in Mexico are valid for up to 30 days. This can be extended to up to 180 days for employees in managerial, technical, or professional positions.

RESIGNATION AND DISMISSAL

The employee may unilaterally terminate the employment contract by providing notice in writing. There are no minimum notice period employees must provide under law. However, it is common practice that a notice period will be included in a contract of employment. If an employee has worked for a company for over 15 years, they are entitled to a seniority premium. This is usually equal to 12 days salary for each year worked. For an employer to dismiss an employee a just cause is required in line with Mexican Labour Law such as intoxication at work, threats or acts of violence, intentional damage to work property, harassment including sexual harassment against co-workers, revealing confidential information or secrets from the employer, more than 3 absences within 30 days without permission or just cause, and refusal to comply with health and safety procedure. The employer must give written notice stating the conduct or behaviour as reason for dismissal, along with the date(s) this took place. Failure by the employer not to provide notice will provide the employee with grounds to claim for dismissal that was not justified. The employee will then have grounds to either be reinstated or be compensated. The compensation is generally 3 months' salary, payment of owed hours worked, 20 days salary for each year of service, any vacation and Christmas bonus accrued at the time of dismissal. An employee must raise a case for wrongful termination within 60 days of the alleged wrongful termination. Collective redundancies are only permitted in Mexico



RESIGNATION AND DISMISSAL CONT...

as a result of closure of the company or a reduction in job roles required. Other circumstances can include, Act of God, depletion of the product, bankruptcy, employers' death or disability, and non-profitability of the business.

RESTRICTIVE COVENANTS

Restrictive covenants are generally not provided for in Mexican law, although they are not expressly prohibited during an employment relationship. Restrictive covenants have become more common in Mexico as a means to protect the employer's confidential information and trade secrets, as well as ensuring the companies' right to loyal competition. The following are recognised and can be enforceable under law, non-compete clauses, non-solicitation of employees, and non-solicitation of customers. Restrictive covenants are generally only enforceable during an employment relationship. Post-employment covenants are considered null and void under legislation.

CONTRACT OF EMPLOYMENT

A contract of employment (Contrato de Trabajo) can be agreed either in written or verbal form. However, it is always best practice for these to be provided in writing. The contract should include employee personal details, employer details, probation period, contract length (if applicable), salary, workplace location, job title, start date, standard working hours, holiday entitlement, terms of notice, and any other collective agreements (contrato colectivo). There are two main types of contracts in Mexico. A contract for an undetermined time, when employment exceeds 180 days meaning this is permanent, a probation period may also be included (Por tiempo indeterminado). A contract for specific work or time, a fixed term/temporary contract (Por tiempo determinado). Additionally, there are also contracts for work relationship by season, this is a seasonal contract where an employee may not be required all week, month, or year. A trial period contract, where trial periods will be from 30 up to 180 days, at the end of the period the employer may terminate at no obligation to the employee. Recruitment for initial training contract, there will be a period for initial training where an employee will provide services under the direction of the employer, whilst the employee gains the skills or knowledge required for which they will be hired. When the training or trial period finishes the employment continues and is considered for an undetermined period.

MATERNITY AND PATERNITY LEAVE

Expectant mothers are entitled to 12 weeks maternity leave, to be taken 6 weeks before the expected due date and 6 weeks after the birth. There is also the option to request with the employer to transfer 4 weeks of maternity leave to after the birth, so only 2 weeks are taken before the due date, this would need to be agreed by the employer. The Mexican Social Security Institute (Instituto Mexicano de Seguro Social) (IMSS) cover 60% of an employee's salary and the employer covers the remaining 40%. Fathers are entitled to 5 days paid paternity leave.

SICKNESS LEAVE

An employee is entitled to up to 52 weeks sick leave, a leave certificate must be submitted by either the IMSS or private doctor. An employee is entitled to 60% of their regular salary, this then increases to 100% if the absence is due to a work-related illness or injury. The employer has the option to pay the difference of 40% so the employee receives their full salary. The employee will start receiving 60% of their salary after the 4th day of illness. Employees will need to have made at least 4 weeks of social security payments before the illness to be eligible for paid sick leave.



SOCIAL SECURITY

An employer is required to register employees with the Social Security Institute (Instituto Mexicano de Seguro Social) (IMSS) and pay contributions on behalf of the employee as well as making the relevant deductions from an employee's salary. These payments will cover items such as sick leave, maternity, unemployment, medical services, and disability pensions.

HEALTHCARE AND INSURANCE

Everyone who works in Mexico is enrolled in the public healthcare sector by their employer, whether they are a citizen or foreign worker. There are two main types of public health insurance

in Mexico. The Instituto de Salud para el Bienestar (INSABI) and the Instituto Mexicano del Seguro Social (IMSS).

The INSABI scheme is a health insurance program for the unemployed or those that cannot afford to enrol voluntarily. It offers health services and treatment free of charge. It replaced the Seguro Popular scheme which was running until December 2019.

The IMSS scheme is health insurance for employees working for private companies, this can be for both Mexican citizens and foreign employees. There is also the option for private healthcare which many wealthy Mexicans and foreign employees choose. This gives access to private clinics and hospitals with better infrastructure, care options, and shorter waiting times. English is also more widely spoken in private clinics and hospitals.





EMPLOYMENT OF FOREIGN NATIONALS

Most foreign nationals will need a visa to work in Mexico. The authority for overseeing all immigration in Mexico and issuing of visa/permits is the National Institute of Immigration (Instituto Nacional de Migración - INM). Below are the two most common visas to be able to conduct business or work in Mexico.

VISITOR VISA WITH PERMISSION TO WORK

This visa is for people wishing to enter Mexico for less than six months, they will need to apply for a visitor visa with permission to engage in lucrative activities. This is only granted to people visiting for less than 6 months who will not be paid by a Mexican business. The applicant or the company must be able to prove the company are registered with the INM (constancia de inscripción de empleador). The company will also need to provide a letter with the applicant's name, nationality, job description and duration, salary, and the address of the workplace, and must confirm financing of the applicants travel expenses. The applicant will need to apply at the Mexican Consulate in their country of residence.

TEMPORARY RESIDENT VISA WITH PERMISSION TO WORK

This visa is for applicants wanting to stay in Mexico longer than 6 months, with permission to work. Firstly, an application will need to be made by the Mexican company at the Mexican Institute of Immigration. If this is approved, then the applicant will then need to apply at the Mexican Consulate in their country of residence. Once notified by the INM that the application has been successful, they have 15 days to visit the consulate to obtain the visa. Once in Mexico the applicant will need to register with their local immigration office within 30 days to obtain the temporary resident card. The residency card is valid for up to 4 years. After 4 years the visa holder will need to apply for a permanent resident visa or leave the country.





SALARY AND SALARY TAXES

MINIMUM WAGE

The national minimum wage in Mexico (Salario Minimo) from January 2022 is 172.87 Mexican Peso (MXP) per day. The rate along the free zone of the north border (Zona Libre de la Frontera Norte or ZLFN) is 260.34 MXP per day.

INCOME TAX

The Mexican tax year runs from January to December. It is the employer's responsibility to ensure taxes are paid from salaries before payments are made to the employees. The general personal income tax rates are listed below as guidance. Most Mexican states levy a low tax on salaries and other income earned by employees. This is payable by the employer, for example, Mexico City imposes a 3% payroll tax.



Salary	0 - 7,735.00	7,735.00 - 65,651.07	65,651.07 - 115,375.90	115,375.90 - 134,119.41	134,119.41 - 160,577.65	160,577.65 - 323,862.00
Tax %	1.92%	6.40%	10.88%	16%	17.92%	21.36%
Salary	323,862.00 - 510,451.00	510,451.00 - 974,535.03	974,535.03 - 1,299,380.04	1,299,380.04 - 3,898,140.12	3,898,140.12+	
Tax %	23.52%	30%	32%	34%	35%	

SALARY PAYMENTS

Salaries in Mexico are generally paid on a bi-weekly basis around the 15th and last working day of the month. Employees are also entitled to a vacation bonus which is equivalent to no less than 25% of their regular salary. Additionally, a Christmas bonus of at least 15 days salary is to be paid before the 20th December.

SOCIAL SECURITY CONTRIBUTIONS

Social security contributions in Mexico are the responsibility of the employer to deduct from an employee's salary before payment. Both the employer and employee are subject to social security contributions. Below are approximate contribution rates for employers and employees, please note that these can vary.

	Employer Percentage	Employee Percentage
Social Security	25% - 33.58%	1.65%
Retirement	2% - 5.15%	1.125%
National Housing Fund (INFONAVIT)	5%	N/A

For social security contributions, the employer's maximum monthly contribution is 12,808.40 MXN and the employees' monthly maximum contribution is 1,836 MXN. These maximum contributions apply to employees earning more than 872,892 MXN per year or 72,742 MXN per month.

In addition, employers also need to pay a Federal Tax on each employee, this is a fixed amount per employee. Currently, this is 5,756.76 MXN. This is changed on an annual basis by the Mexican tax authorities.



EMERALD TECHNOLOGY

www.emerald-technology.com
info@emerald-technology.com
+44 (0) 870 889 0300

Europe

Somerset House
37 Temple Street
Birmingham
B2 5DP
United Kingdom

Asia Pacific

22 Malacca Street
#03-02
RB Capital Building
Singapore
048980

Middle East

Business Central
Towers
PO BOX 503055 2001A
Dubai Internet City
UAE