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Employment 2025

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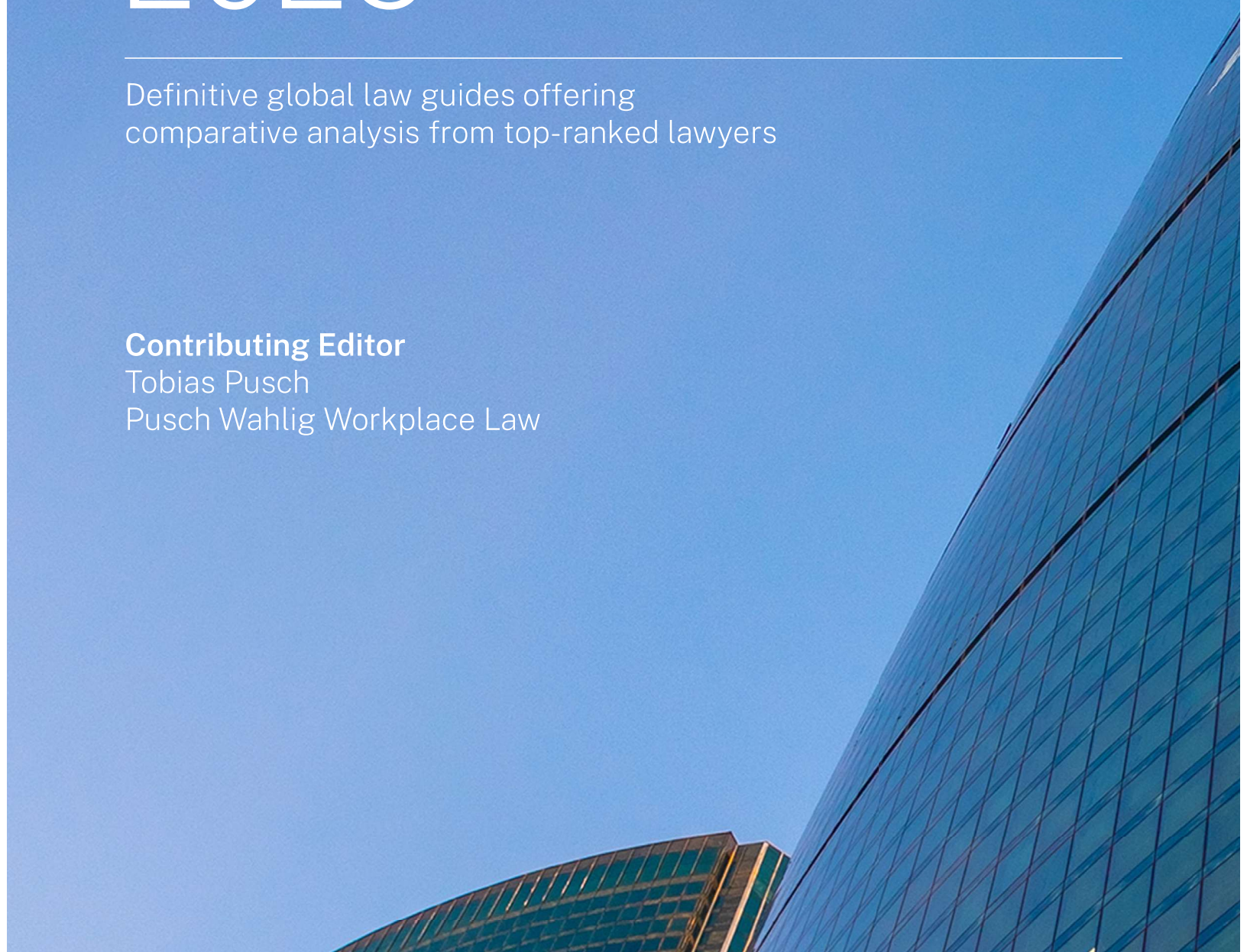
Contributing Editor
Tobias Pusch
Pusch Wahlig Workplace Law



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2025

MEXICO

Law and Practice

Contributed by:
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Cannizzo, Ortiz y Asociados, S.C.

Contents

Cannizzo, Ortiz y Asociados, S.C. was established in Mexico more than 40 years ago and is an excellent gateway for doing business in Mexico, thanks to its international experience in approaching legal practice and its deep understanding of the Mexican reality. The firm assists its clients with matters relating to employment relationships and the laws regulating them. Its practice comprises both individual and collective matters. It also represents its clients in the negotiation and execution of collective bargaining agreements with labour unions and the corresponding filing before the competent authorities. Its labour and employment team is ready and able to support its clients to be in compliance with the recent amendments to the Federal Labour Law, including the negotiation and execution of bargaining agreements under the new provisions, as well as in the actions required to address the amendments to outsourcing regulation in Mexico. The authors would like to thank Stefano Amato, partner, and Andrea Andrade, associate, for their contribution to this chapter.

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1. Employment Terms

1.1 Employee Status

Although in practice there is a difference between blue-collar and white-collar employees, this difference does not derive from the law. The Federal Labour Law provides for several types of employees, namely the following:

- Employees in positions of trust (*empleados de confianza*): These are employees who perform management, inspection, supervision and oversight tasks, when they are of a general nature, or the personal work of the employer within the company or establishment. The category of trusted employees depends on the nature of the tasks performed and not on the name given to the position.
- Employees who render their services for a Mexican employer outside the national territory: The Federal Labour Law provides special rights for such employees under Article 28.
- The Federal Labour Law contains several chapters addressing the status of various types of employees and providing specific rights and protections to each of them, for example, women workers, workers between the ages of 15 and 18, trusted employees, employees working on ships, aircraft crew, railway workers, auto transport workers, public service freight manoeuvring workers, farm workers, commercial agents, professional sportspersons, musicians and actors, domestic workers, teleworkers, mine workers, workers in hotels, restaurants, bars and other similar establishments, workers in a family industry, doctors, workers in educational institutions, among others.
- Employees employed for a specific task, whether for a fixed term, seasonally or for an indefinite term: See **1.2 Employment Contracts** for more information.

1.2 Employment Contracts

In Mexico, employment relationships may be: (i) for a specific task (*obra determinada*), which may only be agreed upon when its nature so requires; (ii) for a fixed term (*por tiempo determinado*), which may only be agreed upon when required by the nature of the work to be performed, when the purpose thereof is to temporarily replace another employee, and in other cases provided by the Federal Labour Law (for example, the duration of labour relationships for the exploitation of mines lacking profitable minerals or for the restoration of abandoned mines or mines at a standstill may be agreed upon for a specific task, for a fixed term or for the investment of specific capital); (iii) seasonal (*por temporada*); and (iv) for an indefinite term (*por tiempo indeterminado*). The last of these, in turn, may be subject to a probation period (*prueba*) or initial training (*capacitación inicial*).

In the absence of any express stipulation otherwise, the employment relationship is understood to be for an indefinite term.

In terms of the Federal Labour Law, working conditions must be agreed in writing if there is no applicable collective bargaining agreement in place, and such a document must be executed in at least two counterparts, one for each party. The document must contain at least the following:

- name, nationality, age, sex, marital status, Unique Population Registry Code (*Clave Única de Registro de Población*, or CURP), Federal Taxpayer Registry Code and address of the employee and the employer;
- whether the employment relationship is for a specific task or term, seasonal, or for an indefinite term and, if so, whether it is subject to an initial training period or probation period;
- the service or services to be rendered, which shall be specified as accurately as possible;
- the place or places where the work is to be performed;
- the duration of the workday;
- the form and amount of the salary;
- the day and place of payment of the salary;
- the specification that the employee will be trained in accordance with the plans and programmes set forth or to be determined in the company;
- other working conditions, such as rest days, holidays and others, agreed upon between the employee and the employer; and
- designation of beneficiaries for the payment of wages and benefits accrued but not collected prior to the death or disappearance of the employee.

The lack of a written labour agreement does not prevent the employee from exercising their rights derived from the applicable labour provisions and from the services rendered and shall not be interpreted as the lack of existence of a labour relationship, as this formality is considered the responsibility of the employer.

1.3 Working Hours

Although the employer and the employee may agree on the duration of the workday, in no case may it exceed the legal limits.

The legal limits are: (i) for a day shift – ie, between 6am and 8pm, eight hours per day; (ii) for a night shift – ie, between 8pm and 6am, seven hours per day; and (iii) for a mixed shift – ie, which includes both day and night shifts, limited to seven and a half hours per day, provided that the night period is less than three and a half hours.

Additionally, during the continuous workday, the employee must be granted a period of rest of at least half an hour, and if the employee cannot leave the place where they render their services during rest or meal hours, the corresponding time will be counted as effective time of the workday.

Regarding overtime, the law provides that the workday may be extended in extraordinary circumstances, but by no more than three hours per day and three times in a week. These hours of extraordinary work must be paid 100% more than the salary corresponding to the hours of the ordinary workday. If the extraordinary work exceeds nine hours per week, the employer must pay 200% more than the salary corresponding to the hours of the ordinary workday, without prejudice to the applicable sanctions for doing so.

Although there is no specific regulation for part-time contracts, according to the law, the employee and the employer may freely allocate the working hours and they may do so in a way that allows the employee to rest on Saturday afternoon, or any equivalent modality.

Furthermore, following a reform to Article 21, Section IV of the General Law for Preventing, Sanctioning, and Eradicating Crimes in Human Trafficking and for the Protection and Assistance of Victims of These Crimes, which came into effect on 7 June 2024, significant changes shall apply to labour relations. Per the reform, the concept of labour exploitation is expanded to include not only hazardous and unhealthy conditions, disproportionate workloads, and/or wages below the minimum wage but also workdays that exceed those established by the Federal Labour Law. Per this modification, workdays that exceed 48 hours per week, plus the overtime hours established by the Federal Labour Law, or that exceed the maximum workday established conventionally in contracts, will be subject to severe sanctions for being considered labour exploitation, regardless of whether workers agree and even if they are properly paid for excess hours. This new regulation has determined that a workday involving labour exploitation will be punished with a prison sentence of three to ten years, as well as fines ranging from MXN565,700 to MXN5,657,000. When the individuals affected are members of Indigenous and Afro-Mexican communities, the punishment can range from four to 12 years of imprisonment and fines ranging from MXN791,980 to MXN7,919,800. Employers shall require precise control of working hours to avoid exceeding the limit and becoming subject to such sanctions.

1.4 Compensation

In Mexico, the minimum wage (*salario mínimo*) is the minimum guaranteed amount that an employee is entitled to receive in cash for services rendered in a workday.

The minimum wages in Mexico are determined by the National Minimum Wages Commission (*Comisión Nacional de los Salarios Mínimos*) (made up of representatives of employees, employers and the government), whose most recent resolution was issued on 19 December 2024 and published in the Official Federal Gazette. This resolution outlines (i) general minimum wages (applicable to all employees in specific geographic areas, regardless of the industry, profession, trade, or specialised roles) and (ii) professional minimum wages (which apply to employees in specific sectors or occupations within certain geographic areas). Mexico is divided into two geographic zones for the purpose of determining these minimum wages: (i) the Northern Border Free Zone (*Zona Libre*

de la Frontera Norte), a 25 km strip south of the US border, and (ii) the rest of the country. For 2025, the general minimum wage in the Northern Border Free Zone is MXN419.88, while in the rest of the country it is MXN278.80 – representing a 12% increase compared to the previous year.

The annual determination of minimum wages, or the revision thereof, in terms of the law, may never be below the inflation accrued during the period elapsed from its last revision.

Wages, in general terms, are protected by legal provisions, including those prohibiting, for example, the minimum wage from being subject to offset (*compensación*), discount or reduction, except in certain cases, and those establishing that the wages that are to be paid in cash must be paid in legal tender and that the currency may not be substituted by merchandise, vouchers, tokens or other items.

Employees are entitled to a Christmas bonus which, pursuant to the Federal Labour Law, must be paid before 20 December to employees who have completed one year of service and must be equal to at least 15 days of salary. Those employees who have not completed one year of service are entitled to be paid the proportional part of the bonus.

Furthermore, employees are entitled to participate in the profits of enterprises (*Participación de los Trabajadores en las Utilidades*, or PTU) in accordance with the percentage determined by the National Commission for the Participation of Employees in the Profits of Enterprises (*Comisión Nacional para la Participación de los Trabajadores en las Utilidades de las Empresas*). Such percentage, as determined by the Commission, is currently 10% of the employer's annual profits. The basis for the calculation of the annual PTU payable to the employees of an enterprise is determined by the profit of such enterprise as calculated in accordance with the Income Tax Law in Mexico and currently takes into account the taxable profit of the employer during a tax year. However, certain adjustments are made in accordance with Article 16 of the Income Tax Law in order to calculate the basis for PTU (for example, for PTU purposes, dividends received by the company from other corporations are considered as profits, among others). Therefore, there might be a difference between the actual taxable income and the basis for the PTU.

The amount of PTU to be distributed among the employees is divided into two equal shares. The first one takes into account the days worked by each employee during the year, regardless of the amount of their salary, while the second share is distributed in proportion to the amount of the salary paid in relation to the work performed during the year.

Directors, administrators and general managers are not entitled to any PTU payment. Each non-unionised employee is entitled to a PTU payment; however, if their salary is higher than the highest salary of the unionised employees, such highest salary, increased by 20%, shall be taken into account as a maximum limit for the purpose of calculating the PTU payment.

The PTU payable to each employee cannot be higher than (i) three months of their current salary or (ii) the average of the PTU paid to such employee during the last three years, whichever is higher.

The following enterprises have no obligation to pay any PTU: (i) those newly incorporated, in relation to the first year; (ii) those developing new products, in relation to the first two years; and (iii) decentralised public institutions with assistance, charitable or cultural purposes, among others.

Additional incentives such as bonuses or punctuality or attendance premiums are neither mandatory nor regulated by law but can be freely included in employment agreements.

1.5 Other Employment Terms

Vacations

Employees who have rendered their services for more than one year are entitled to an annual period of paid vacation, which in no case may be less than 12 working days, and which will be increased by two working days for each subsequent year of service, until it reaches 20 days. Vacation days may be taken continuously, with the option for the worker to unilaterally decide to distribute the annual period of paid vacation as needed.

The labour law clearly provides that vacations cannot be compensated with remuneration. Employees are entitled to a vacation bonus (*prima vacacional*) of no less than 25% of the wages payable during the vacation period.

Leave

Pursuant to the Federal Labour Law, women are entitled to the following types of leave.

- A six-week paid leave before and six weeks after childbirth: At the express request of the employee, with the prior written authorisation of the physician of the corresponding social security institution or, if applicable, of the health service provided by the employer, taking into account the opinion of the employer and the nature of the work performed, up to four of the six weeks of leave prior to childbirth may be transferred to after childbirth. This period may be increased up to eight weeks after the childbirth, upon presentation of the corresponding medical certificate, in the event that the child was born with any type of disability or requires hospital medical care.
- In case of adoption of an infant, the woman shall enjoy a six-week paid leave following the day on which she receives the child.

For male employees, the law only sets forth that the employer must grant them paid paternity leave of five working days for the birth of their children and likewise in the case of the adoption of an infant.

With respect to absences due to illness, Mexican labour law distinguishes between non-work-related illnesses, which are generally covered by the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*), and those derived from an occupational accident or occupational illness, which are covered by the employer. In the chapter of the Federal Labour Law called "Occupational Risks" (*Riesgos de Trabajo*) it is clearly set forth what is to be understood by occupational accident and by occupational illness, namely, an occupational accident is any organic injury or functional disturbance, whether immediate or subsequent, or death or disappearance derived from a delinquent act, suddenly produced in the course of or in connection with work, whatever the place and time in which the work is performed (including accidents that occur when the employee is travelling directly from his/her home to the workplace and vice versa), whereas an occupational illness is any pathological condition resulting from the action over a longer period of time of a cause having its origin in the work or in the environment in which the employee must render his/her services.

Confidentiality and Non-Disparagement Requirements

The Federal Labour Law does not expressly regulate the confidentiality obligations that an employee must comply with before his/her employer; these are usually included in the labour agreements between the parties. In this type of agreement, it is usually agreed that the confidentiality obligation of the employee will last for a certain term after the termination of his/her employment relationship with the employer.

However, the employee's obligation of confidentiality towards the employer might be interpreted as included in Article 47 of the Federal Labour Law, which provides the employer the right to terminate the employment relationship without liability, among others, if the employee commits, during his/her work, any breach of probity or honesty against the employer, his/her relatives or the management or administrative personnel of the company or establishment, or against the employer's customers and suppliers, as well as if the employee reveals trade secrets or discloses matters of a confidential nature, to the detriment of the company, or similar acts.

In addition, the Federal Law for the Protection of Industrial Property (*Ley Federal de Protección a la Propiedad Industrial*) defines as industrial secrets any information of industrial or commercial application which is kept confidential by the person exercising legal control over it, and implies obtaining or maintaining a competitive or economic advantage over third parties in the performance of economic activities and with respect to which it has adopted sufficient means or systems to preserve its confidentiality and restricted access. Such law could be applied to employees who misappropriate any industrial secret or intellectual property of their employer. Misappropriation is understood as the acquisition, use or dis-

closure of any industrial secret in a manner contrary to good industrial commercial and service customs and practices, that involves unfair competition. It may also be applied to any third party that acquires, uses or discloses an industrial secret if it knew, or had reasonable grounds to know, that the industrial secret was acquired in a manner contrary to such customs and practices.

Outsourcing

In 2021, a decree was published to amend labour, social security, and tax regulations, prohibiting the outsourcing of personnel, except for specialised services and/or specialised works not included in the corporate purpose or main economic activities of the beneficiary of such services. According to such provisions, outsourcing occurs when an employer provides or makes its personnel available to a third party, which benefits from the services rendered by such personnel. The subcontracting of specialised services or works must be formalised through a written contract detailing the services or works and the approximate number of workers involved. If a contractor fails to meet its obligations to its workers, the hiring party will be jointly responsible. According to Article 15 of the Federal Labour Law, individuals or entities providing outsourcing services must be registered with a publicly available registry maintained by the Ministry of Labour and Social Welfare (*Registro de Prestadoras de Servicios Especializados u Obras Especializadas*, or REPSE), and ensure they are up to date with their tax and social security obligations. The corresponding registration must be renewed every three years, and the Ministry of Labour and Social Welfare may deny or revoke registration at any time if those individuals or legal entities fail to comply with the necessary requirements.

2. Restrictive Covenants

2.1 Non-Competes

Non-compete clauses – ie, clauses included in a contract by which a person undertakes the obligation not to compete in a certain market or activity with another person – are not provided for in Mexican labour law; however, they may be agreed between the parties in employment agreements or separate non-compete agreements.

The consequence of breaching a non-compete clause is usually the obligation to compensate or indemnify the affected party. Regarding non-compete obligations, it is important to keep in mind that in Mexico the protection of damages might be limited, contrary to what happens in other countries. In Mexico, it might be difficult to prove liability arising from a non-compete violation and the specific damages arising from this violation. Even when the violation and damages are proved, Mexican courts usually do not impose exemplary penalties or remedies as happens in other jurisdictions.

Given the difficulty of evidencing before the judicial authority a causal relationship between the conduct performed – ie, the breach of a non-compete obligation, and the damages suffered by the affected party, it is usual to include in non-compete agreements stipulations obliging the breaching party to pay a certain amount in the event of breach – ie, pre-quantified damages.

The enforceability of this type of non-compete obligation is usually approached from two perspectives.

- Constitutional: This is because such obligations have been considered a violation of the right to freedom of work. The Mexican Constitution states that no person may be prevented from performing their choice of work, provided that it is lawful, except by means of a judicial resolution, and that any agreement by virtue of which an individual temporarily or permanently waives the right to pursue a certain profession, industry or trade may not be allowed. Therefore, it will be important to consider certain requirements and characteristics when drafting the non-compete obligations that employers may require, so that they do not constitute a waiver of the right to perform, throughout the national territory, any given profession, industry, work or trade.
- Economic competition: This is because the obligation not to compete may be considered a monopolistic practice. Regarding this aspect, non-competition obligations will be valid when they are

duly limited as to time, territory, subject matter and persons.

2.2 Non-Solicits

Non-solicitation clauses are not explicitly addressed under Mexican labour law; however, they can be legally agreed between the parties in employment agreements or in separate non-solicitation agreements. The ordinary consequence of breaching a non-solicitation clause is the obligation to compensate or indemnify the affected party. Regarding non-solicitation obligations, it is important to keep in mind that in Mexico the protection of damages might be limited, contrary to what happens in other countries. In Mexico, it might be difficult to prove the liability derived from a non-solicitation violation and the specific damages derived from this violation. Even when the violation and damages are proved, Mexican courts usually do not impose exemplary penalties or remedies as happens in other jurisdictions.

Given the difficulty of evidencing before the judicial authority a causal relationship between the conduct performed – ie, the breach of a non-solicitation obligation, and the damages suffered by the affected party – it is common to include in the non-solicitation agreement stipulations obliging the breaching party to pay a certain amount in the event of breach – ie, pre-quantified damages.

The enforceability of this type of non-solicitation obligation, as well as non-compete obligations, may be challenged for their alleged unconstitutionality, since they may be considered as violating Article 5 of the Mexican Constitution, which states that no person may be prevented from performing their work of choice, provided that it is lawful, and such right may only be banned by judicial resolution.

3. Data Privacy

3.1 Data Privacy Law and Employment

In Mexico, there are different personal data protection laws whose application depends on the data subject being regulated. The private sector is regulated by the Federal Law for the Protection of Personal Data in Possession of Private Parties (*Ley Federal de Protección de Datos Personales en Posesión de Particulares*).

By virtue of the above-mentioned law, those persons processing data have the obligation to protect the personal data they process, to respect the principles set forth in the law, namely legality, consent, information, quality, purpose, loyalty and proportionality, and to respect the right of the individuals whose data is being processed to informational self-determination, as well as to guarantee the exercise of their rights of access, rectification, cancellation and opposition to the processing of their personal data.

It is important to point out that in addition to the obligations towards employees with respect to the protection of their personal data arising from the above-mentioned law, the employer also has the obligation to protect personal data with respect to other data subjects, such as prospective employees, clients, suppliers, partners, shareholders, etc.

4. Foreign Workers

4.1 Limitations on Foreign Workers

In terms of Mexican labour law, except for directors, administrators and general managers:

- in any enterprise or establishment, the employer must employ at least 90% Mexican employees;
- in the categories of technicians and professionals, the employees must all be Mexicans, unless there are not enough Mexicans who possess a given specialism, in which case the employer may temporarily employ foreign employees, in a proportion not exceeding 10% of those engaged in that specialism; in any case, the employer and the foreign employees will have the joint obligation to train Mexican employees in the relevant specialism; and
- medical practitioners who work in the service of an enterprise must be Mexican.

4.2 Registration Requirements for Foreign Workers

In Mexico, in order to hire foreign employees, an employer must obtain, before the office of the National

Immigration Institute (*Instituto Nacional de Migración*) where the employer's establishment is located, an employer's registration certificate (*constancia de inscripción del empleador*) that allows individuals and legal entities to issue job offers to foreign individuals.

In addition to the foregoing, a foreign individual rendering services to a Mexican employer must hold an immigration document evidencing their legal right to stay in the country. The procedure for obtaining such a document is usually carried out by the employer with the intervention of the foreign individual.

The status under which foreign individuals usually stay in Mexico is that of temporary resident (*residente temporal*), which authorises them to stay in the country for a period no longer than four years. Temporary residents may obtain a work permit, subject to an offer of employment, which will give them the right to work in the country and enter and leave the national territory as many times as they wish, as well as the right to preserve the family unit – ie, a foreign individual may enter with, or eventually request access for, their parents, spouse, concubine, children or spouse's or concubine's children, provided they are minors, unmarried, or under the individual's legal guardianship.

5. New Work

5.1 Mobile Work

On 8 June 2023, the Official Mexican Standard NOM-037-STPS-2023, Teleworking Occupational Safety and Health Conditions (hereinafter the "NOM-037"), was published in the Mexican Official Gazette of the Federation. The purpose of NOM-037 is to establish safety and health conditions in the places where teleworkers perform their duties to prevent accidents, illnesses, or psychosocial risk factors. It applies to both employers and workers working under the telework modality, either partially or fully. Companies will have the following obligations when it comes to teleworking:

- They must maintain an updated list of employees working in this modality, including relevant details such as their name, gender, marital status, job activities, the proportion of their working time spent telecommuting, contact information and agreed-upon work locations.
- Work locations must now be fixed and registered in the Collective Bargaining Agreement or Internal Work Regulations.
- Employers are responsible for ensuring safe and healthy working conditions, including electrical installations, lighting and ventilation, and necessary tools/furniture for their work activities, both at the workplace and in remote locations, that allow workers to perform their tasks safely and efficiently.
- The validation and assessment of potential risks should be carried out by the employer or professionals appointed in the respective field. This assessment must be conducted before telework begins and should be documented.
- Employers must provide adequate training on the safe use of tools and on the occupational hazards associated with teleworking, and to do so they must develop a comprehensive telecommuting policy, which must be implemented, maintained and effectively communicated to employees.
- It is mandatory for employers to monitor the health status of teleworkers, ensuring that there are no risks associated with ergonomics, stress, eyestrain, among others.
- Employers must address work accident reports from remote employees or their family members, adhering to protocols established by social security institutions.

Employees under NOM-037 are required to allow physical verification or use a checklist to ensure safety and health conditions at their workplace. This includes providing evidence like photos or videos to demonstrate suitable workspaces. Employees who take part in remote work as per the previously discussed criteria will have the same individual and collective rights as in-person employees, meaning they can unionise, engage in collective bargaining and stay connected with colleagues. Employees also have the right to disconnect, complying with designated working hours and avoid work-related activities during vacation or leave. Special protection is granted to those employees experiencing domestic violence and to breastfeeding women.

NOM-037 became effective on 6 December 2023 and applies nationwide. The employer will have the option to hire the services of an accredited and approved inspection unit, in accordance with the Law of Quality Infrastructure (*Ley de Infraestructura de la Calidad y su Reglamento*) and its regulation, to assess compliance with NOM-037, in which case a report containing information about the verified remote workplace would be issued. This report will be valid for two years, as long as the conditions existing upon issuance of the report remain unchanged. Non-compliance with safety regulations may result in fines ranging from 250 to 5,000 times the Unit of Measurement and Update (MXN28,285.00 to MXN565,700.00).

5.2 Sabbaticals

Mexican labour regulations do not address sabbatical leave. Nevertheless, employers and employees may negotiate and establish sabbatical leave arrangements through employment contracts, collective bargaining agreements or internal policies. If employer and employee reach an agreement regarding sabbatical leave, the details and terms of the sabbatical, such as duration, salary, benefits and job security upon return, should be outlined clearly in the employment contract or a separate agreement.

Alternatively, unpaid leave could be arranged between employer and employee either through a separate agreement or outlined in company policy, though this option may have certain implications for employee benefits and rights. In any case, any terms and conditions should be outlined and agreed upon by employee and employer.

5.3 Other New Manifestations

Currently, various emerging concepts, such as desk sharing, flexible working hours, remote work, four-day weeks, digital nomadism and sabbaticals are encompassed under the term "new work". This concept aims to redefine the traditional notion of a workplace in response to technological advancements. Companies often adopt these practices to enhance their appeal and attract talented individuals. However, these new work arrangements require structural changes that depart from conventional workplace norms and hierarchies.

Although Mexican regulations and legislators have not specifically addressed or regulated these "new work" tools yet, companies and entrepreneurs in Mexico are actively embracing these innovative approaches to work, recognising the potential benefits they offer in terms of employee satisfaction, productivity and overall business performance. Consequently, any benefits associated with "new work" in practice have so far been addressed through employment contracts that outline the terms and conditions of these arrangements, and/or through the establishment of internal policies to govern their implementation within companies.

Digital Platforms

Following a 2024 reform to the Federal Labour Law and relevant regulatory criteria, additional obligations apply to individuals providing services through digital platforms, including food delivery, courier, ride-hailing, or similar services.

Under these provisions, digital platform workers are expressly recognised as employees when they provide services personally, on a continuous basis, and are subject to the management or direction of the platform, including algorithmic control over schedules, assignments, or compensation. Regardless of the flexibility associated with digital platforms, working hours must comply with the maximum legal thresholds established by the Federal Labour Law, including the limits on overtime.

Employers (digital platforms) are required to, inter alia:

- register platform workers with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*, or IMSS);
- ensure precise tracking of working hours through the platform's technological tools (eg, logs, records of active connection periods, delivery time slots);
- guarantee that working hours do not exceed 48 hours per week plus the maximum authorised overtime;
- provide benefits such as paid rest days, vacation, bonuses and profit sharing;
- register and submit labour contracts for approval by the Federal Conciliation and Registration Centre; and

- disclose how algorithms determine assignments and working conditions and issue an algorithmic management policy.

Non-compliance carries fines of up to MXN2.7 million. The reform took effect on 23 June 2025, with further rules and a pilot programme to follow.

Reduction of Working Hours

One of the central issues on Mexico's 2025 labour agenda is the reduction of the working hours from 48 to 40 hours per week. Although this initiative has not been approved, the federal government officially announced that the 40-hour working week would be implemented gradually with a view to being completed by January 2030. This initiative represents a crucial shift in the country's labour dynamics.

The transition to a 40-hour working week, however, requires a clear implementation plan. Companies, especially small and medium-sized ones, will need to adapt to new organisational structures, and it is crucial that the government and labour authorities provide support in terms of training and flexibility. In addition, rigorous monitoring will be necessary to prevent the reduction in hours from translating into increased labour intensity or overloaded workdays.

Reducing the working day in Mexico is a strategic proposal that could result in significant change for workers and companies.

6. Collective Relations

6.1 Unions

Labour unions in Mexico are understood as associations of employees that are formed for the study, improvement and defence of their interests. Both employers and employees have the right, without any distinction and without prior authorisation, to form the organisations they deem convenient, as well as to join them, with the only condition of observing their corresponding by-laws.

Both types of unions enjoy protection under the law against any act of interference between them relating to their formation, operation or administration. Any action or measure to promote the formation of employees' organisations with the purpose of placing them under the employer's control is considered an act of interference.

In 2018, Mexico ratified Convention C098 of the International Labour Organization, concerning the Right to Organise and Collective Bargaining, which establishes fundamental rights related to trade union freedom and collective bargaining. Following this ratification, a significant constitutional reform in labour matters came into effect, which not only established new foundations for labour justice but also amended various provisions related to trade unions. Notably, the reform addressed freedom of association and effective representation, including the prohibition of employee unions created or controlled by employers for their own benefit – a practice that had been prevalent. This constitutional reform paved the way for subsequent secondary labour reforms enacted in 2019.

The 2019 labour reform aimed to align national legislation with the principles set forth in Convention C098. Key changes introduced by this reform included the promotion of union autonomy through the establishment of democratic trade unions, thereby enhancing workers' control and participation in decision-making processes. Additionally, the reform strengthened collective bargaining by instituting labour courts responsible for ensuring the enforcement of collective agreements and promoting transparency in their negotiation.

While these reforms mark significant progress towards compliance with Convention C098, the principal challenge remains the effective implementation across the country, particularly within informal sectors and regions where traditional unions maintain considerable influence. Consequently, these reforms necessitated the modification or revision of conventional union structures in Mexico to safeguard employees' freedom of association. Ultimately, the reforms seek to foster a more active and meaningful role for employees in union affairs.

6.2 Employee Representative Bodies

The role of employees' unions is to study, defend and improve the interests of their members. Their incor-

poration must be made before the Federal Centre for Labour Conciliation and Registration (*Centro Federal de Conciliación y Registro Laboral*, or CFCRL). Unions, as well as collective bargaining agreements and the agreements and regulations entered between employers and employees, must be registered before the CFCRL. A union registers itself by submitting several documents, including a copy of the minutes of the incorporation meeting, a list containing the names, telephone numbers, CURP numbers and addresses of its members, an authorised copy of the by-laws and an authorised copy of the minutes of the meeting in which the board of directors was appointed.

Local and federal conciliation centres are authorised to carry out labour conciliations between employers and unions. Previously, this used to be the competence of the local and federal conciliation and arbitration boards.

6.3 Collective Bargaining Agreements

Pursuant to the Federal Labour Law, a collective bargaining agreement is an agreement entered between one or more labour unions and one or more employers, or one or more employers' unions, to set forth the conditions under which work is to be performed at one or more companies or establishments.

In order for a labour union to enter into a collective bargaining agreement with an employer, the labour union must first obtain "Evidence of Representation" (*Constancia de Representatividad*), which is issued by the Federal Centre for Labour Conciliation and Registration. This requirement ensures the principles of representativeness in trade union organisations and provides certainty in the signing, registration, and filing of collective bargaining agreements.

Once the above is complied with, the collective bargaining agreement must be approved by the employees, and the employer must not intervene in the consultation procedure.

Once the employees approve the clauses of the collective bargaining agreement, it must be executed in writing, in three counterparts, failing which the agreement shall be null and void. One copy must be delivered to each of the parties and the other copy must be deposited with the CFCRL, who will verify that its content has been approved by the majority of employees covered by such agreement.

Collective bargaining agreements are effective from the date and time of presentation of the document, unless the parties have agreed on a different date.

It should be noted that for the registration of an initial collective bargaining agreement or a revision agreement, the CFCRL verifies that its content has been approved through a personal, free and secret vote by the majority of the employees the agreement refers to. In this sense, one of the relevant effects of the reforms of 2019 referred to in **6.1 Unions** is that employees are authorised to join a union, federation or confederation and to be consulted through personal, free, secret and direct voting for, among other things, the union to sign initial collective bargaining agreements, and to approve amendments and revisions to those collective bargaining agreements, as well as to legitimise existing collective bargaining agreements. It is important to note that the legitimisation of collective bargaining agreements is a commitment originally acquired under the US-Canada-Mexico Agreement (USMCA). On 1 May 2023, the deadline to legitimise collective bargaining agreements under the aforementioned arrangement elapsed. Consequently, any agreements that were not submitted by unions for the legitimisation procedure have been terminated in accordance with Mexican regulation.

If an employer refuses to sign the agreement, its employees may exercise their right to strike or to extend or prolong the pre-strike period in order to continue negotiations and to submit the agreement to further consultation.

Once the legitimisation period has elapsed, workers still retain the right to enter into collective bargaining agreements; however, they must now follow the process outlined per the new labour model, negotiating a new agreement which must be approved through the workers' personal, free, direct, and secret voting.

7. Termination

7.1 Grounds for Termination

Grounds for Termination

In terms of the Federal Labour Law, there are three main categories of grounds for termination of labour relationships.

- The first category of grounds for termination are provided by law (Article 53 of the Federal Labour Law), namely: (i) mutual consent of the parties; (ii) death of the employee; (iii) termination of the work or expiration of the term or investment of the capital; and (iv) physical or mental incapacity or manifest inability of the employee, which makes it impossible to perform the work.
- The second category of grounds, pursuant to Article 47 of the Federal Labour Law, entitle the employer to dismiss the employee without any liability (without paying in the employee's favour the corresponding severance). The employer who dismisses an employee must give written notice clearly stating the conduct or conducts that motivated the termination and the date or dates on which they were committed, delivering the notice personally to the employee at the moment of dismissal or, alternatively, communicating it to the competent court, in which case the employer must provide the employee's last registered address in order to allow the authority to notify the employee. In the event that the employer fails to provide the employee with a notice of termination, established jurisprudence holds that the employer may present sufficient evidence during trial to demonstrate that the dismissal was justified. If, in the corresponding legal procedure, the employer does not prove the causes of the termination, the employee will be entitled to request their reinstatement in the job they were performing, or the corresponding compensation, and to be paid their overdue wages, calculated from the date of dismissal for up to 12 months, plus interest, where applicable.
- The third category of grounds, pursuant to Article 51 of the Federal Labour Law, entitle the employee to terminate the labour relationship without any liability. The employee has 30 days following the date on which any of the causes mentioned in Article 51 occur, to terminate the labour relationship, and they shall be entitled to indemnification by the employer.

Collective Redundancies

With respect to the collective termination of employment relationships, Article 434 of the Federal Labour Law provides that the causes for termination of these employment relationships are causes of force majeure or acts of God not attributable to the employer, or the employer's physical or mental incapacity or death, which produce as a necessary, immediate and direct consequence, the suspension of works; the manifest unprofitability of the operation; the exhaustion of the material object of an extractive industry; the legally declared insolvency or bankruptcy of the employer, if as a result the definitive closure of the company or the definitive reduction of its work is decided by resolution; and some additional specific events for certain industries.

In most of the above-mentioned cases, notice must be given to the labour authority, or authorisation must be obtained from the labour authority, to proceed with the termination.

7.2 Notice Periods

As discussed in **7.1 Grounds for Termination**, an employer that dismisses an employee based on any of the grounds for termination mentioned in Article 47 of the Federal Labour Law must give written notice clearly stating the conduct(s) that motivated the termination and the date(s) on which they were committed, delivering the notice personally to the employee at the moment of dismissal or, alternatively, communicating it to the competent court, within five working days, in which case the employer must provide the employee's last registered address in order to allow the authority to notify the employee. However, since the reform of the Federal Labour Law in 2019, it is no longer strictly necessary to deliver the notice of termination; the lack of written notice will only generate a presumption that the dismissal was unjustified, with the employer being able to prove in court the causes for termination.

In case of occurrence of any of the causes mentioned in Article 51 of the Federal Labour Law, the employee may terminate the labour relationship within 30 days

following the date on which any of those causes occurs.

Severance Payment

Those employees who voluntarily terminate their employment relationship or who are terminated with justified grounds for dismissal are entitled only to a settlement payment (*finiquito*), comprising the proportional amounts accrued for the work rendered in favour of the employer (eg, salary up to the date of termination, vacations not taken, vacation bonus, proportional Christmas bonus, etc), without being entitled to any severance payment.

In all other cases, employees will be entitled to a severance payment consisting of the constitutional indemnity which is integrated with the amount of three months of integrated salary (ie, comprising payments made in cash for daily work, gratuities, bonuses, room and board, commissions, benefits in kind and any other amount or benefit given to employees for their work), as well as a seniority premium consisting of 12 days of salary for each year of service rendered, which is capped at twice the minimum wage currently valid at the termination date of the employment relationship.

It is recommended, in any case, to obtain external professional advice in order to determine whether any of the causes for termination set forth in the law have occurred, and to determine how they may be proven in an eventual labour proceeding initiated by the employee, as well as for the calculation of the amounts to be paid in their favour due to the termination and, finally, to determine the manner in which it is advisable to document the termination of the labour relationship.

7.3 Dismissal for (Serious) Cause

In Mexico, there are no special or different procedures for summary dismissals or dismissals for serious cause. All types of terminations are processed in terms of the provisions set out in **7.1 Grounds for Termination** and **7.2 Notice Periods.**

7.4 Termination Agreements

In terms of the Federal Labour Law, one of the grounds for termination provided by law (Article 53) is the mutual consent of the parties; therefore, termination agreements signed by both employer and employee are permitted and a common practice.

Although there are no specific formalities or requirements with which these agreements must comply, taking an approach arising from a systematic interpretation of several articles of the Federal Labour Law, the common practice is that such agreements usually include mutual release of liability for both parties. In addition, such agreements must be executed in writing and ratified before local or federal conciliation and arbitration centres, as appropriate.

7.5 Protected Categories of Employee

In Mexico, there are no specific categories of employees who cannot be dismissed.

8. Disputes

8.1 Wrongful Dismissal

In the event that the employer does not prove the existence of any of the grounds for justified termination of the labour relationship, the employee will be entitled to demand before the competent labour authority, the reinstatement in their job (or, as the case may be, the payment of the corresponding severance), the payment of wages due for up to a maximum period of 12 months, plus the corresponding interest thereon, if applicable, the payment of seniority premium, vacations not enjoyed by the employee, vacation bonus, Christmas bonus and the constitutional indemnity.

8.2 Anti-Discrimination

In terms of the provisions of the Federal Labour Law, as well as other Mexican laws on discrimination, employers may not establish any conditions that may result in discrimination among employees based on ethnic or national origin, gender, age, disability, social status, health conditions, religion, immigration status, opinions, sexual preferences or marital status, or any other condition that violates human dignity. Therefore, neither employers nor their representatives may refuse to hire employees based on the above-mentioned grounds for discrimination.

In addition, other laws contain other types of obligations to prevent and eradicate discrimination in the workplace, for example, the Federal Law to Prevent and Eliminate Discrimination (*Ley Federal Para Prevenir y Eliminar La Discriminación*), which states that it is considered discriminatory to establish differences in remuneration, benefits or working conditions for equivalent jobs.

In case of violation of the above, the corresponding authority may impose a fine ranging from 250 to 5,000 times the Unit of Measurement and Update – ie, between approximately MXN28,285.00 and MXN565,700.00.

It should be noted that, to impose the corresponding sanctions, the authority must consider several issues, such as the seriousness of the discriminatory conduct or social practice; the concurrence of two or more causes or forms of discrimination; recidivism – ie, when the same person commits the same, a similar or a new violation of the right to non-discrimination, whether to the detriment of the same or a different aggrieved party; the effect produced by the discriminatory conduct or social practice, etc.

8.3 Digitalisation

Despite much technological advance in the workplace, no regulation in Mexico has yet facilitated the digitalisation of employment disputes: court disputes remain in-person proceedings. However, with the creation of the new labour courts, there is already the possibility to request that some hearings within the procedure be held online if both parties agree.

9. Dispute Resolution

9.1 Litigation

Mexico has had specialised labour courts since 2017, when a constitutional reform was published that ordered the creation of labour courts at the federal and state levels. This reform was complemented in 2019 by a reform to the Federal Labour Law that set forth the parameters for the creation of labour courts, and initially granted a maximum term of three years in local matters and four years in federal matters for their creation and entry into operation.

Prior to these reforms, labour disputes were tried before the federal or local conciliation and arbitration boards which, although they exercised judicial functions in labour matters, belonged structurally to the executive branch.

Regarding class actions in labour matters, in Mexico the concept of class actions is exclusive to civil matters to protect conflicts in matters of consumer relations of goods or services, public or private, and the environment. Notwithstanding the foregoing, the Federal Labour Law contemplates the existence of collective labour disputes, in which the legitimised entity is usually the union of employees holding collective bargaining agreements and/or the majority of the employees of a company or establishment.

9.2 Alternative Dispute Resolution

In Mexico, employees who wish to start a labour dispute must, before going to the labour courts, attend a conciliation procedure. The conciliation procedure will be carried out by federal or local conciliation centres.

If a conciliation agreement is executed, it will have the status of res judicata and in case of non-compliance it will have the quality of a title to start executive actions through the mechanisms for the enforcement of judgments provided for in the Federal Labour Law. If the parties do not reach an agreement, the conciliation centre will issue a certificate of non-conciliation in favour of the employee which enables them to file their claim before the competent court.

Additionally, since the USMCA was ratified by Mexico in 2019, the Rapid Response Labour Mechanism, designed to prioritise labour obligations and reduce interference in workers' union activities within specific sectors, has been highly active. To date, the United States has initiated 36 cases against Mexico, including five in 2025.

The Rapid Response Labour Mechanism allows, in case of non-compliance with certain labour obligations and/or denial of rights established in Chapter 23 of the USMCA, such as rights of freedom of association and collective bargaining within a specific company, for a USMCA party to initiate a dispute resolution procedure against another party in a specific list of

sectors. This mechanism applies only between Mexico and the USA, and Mexico and Canada. The dispute begins with a request to a USMCA party, followed by a series of interactions between the parties. If the issue is not resolved, it is brought before a labour panel. If non-compliance continues, a party may adopt measures such as increased tariffs, monetary sanctions, and even potential restrictions on imports from the company in question. Thus far, the majority of cases have been solved prior to the labour panel stage of proceedings.

9.3 Costs

Although Article 944 of the Federal Labour Law sets forth that "the expenses incurred in the enforcement of the award shall be borne by the party that fails to comply", the Mexican federal courts have ruled that this only refers to the costs of enforcement itself and does not extend to the attorney's fees incurred during the lawsuit.

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