

Employment 2026

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Practice Guides

Employment

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2026

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Law and Practice

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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

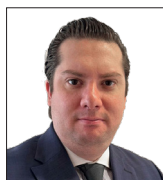
and execution of collective bargaining agreements with labour unions and the corresponding filing before the competent authorities. Its labour and employment team is ready and able to support its clients to be in compliance with the recent amendments to the Federal Labour Law, including the negotiation 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.

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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, work beyond the ordinary working schedule may only be performed in exceptional circumstances. Following the 2026 reform to Article 123 of the Constitution and the Federal Labour Law, the maximum ordinary working week is being reduced gradually from 48 hours in 2026 to 40 hours by 2030 (46 hours in 2027, 44 hours in 2028 and 42 hours in 2029), without reducing employees' salaries or benefits. Night and mixed shifts are subject to separate transition schedules, also reaching a 40-hour working week by 2030.

The reform also progressively increases the weekly overtime payable at the double rate, from nine hours in 2026 to twelve hours by 2030. By 2030, overtime shall not exceed twelve hours per week, distributed as up to four hours per day and no more than four days per week. The first twelve overtime hours worked in any given week must be paid at double the employee's ordinary hourly wage (100% premium). Any additional overtime exceeding the initial twelve weekly hours, up to a maximum of four additional hours per week, must be paid triple the employee's ordinary hourly wage

(200% premium). In all cases, the total daily working time, including overtime, may not exceed twelve hours. Requiring employees to work overtime beyond the statutory limits may result in fines ranging from 250 to 5,000 times the Unit of Measurement and Update (*Unidad de Medida y Actualización – UMA*), in addition to the employer's obligation to pay the corresponding overtime compensation.

From 1 January 2027, employers must keep an electronic record of each employee's working hours and make it available to the labour authorities upon request. Failure to comply is subject to the same range of fines.

Although part-time employment is not specifically regulated, employers and employees may freely agree on working hours, provided the law is observed.

Labour exploitation under the General Law to Prevent, Punish and Eradicate Crimes in Matters of Human Trafficking includes requiring employees to work beyond the maximum working hours permitted by law or by their employment contract, regardless of whether they consent to, or are compensated for, the additional hours. This offence is punishable by imprisonment and substantial fines.

Article 21, Section IV of the General Law, broadened the scope of labour exploitation by expressly including workdays exceeding the maximum hours established under the Federal Labour Law, currently 48 hours per week plus statutory overtime, or the maximum working hours agreed in the employment contract. Such conduct is punishable by three to ten years' imprisonment and fines ranging from MXN565,700 to MXN5,657,000. Where the victims are members of Indigenous or Afro-Mexican communities, the penalties increase to four to 12 years' imprisonment together with proportionally higher fines.

The 48-hour threshold established under this criminal provision should not be confused with the maximum ordinary working week regulated by the Federal Labour Law. While the criminal offence continues to refer to the statutory threshold under the General Law, the Federal Labour Law is currently undergoing

a gradual reduction of the ordinary working week from 48 to 40 hours.

Accordingly, employers must ensure compliance with both legal frameworks. From a labour law perspective, they must implement the gradual reduction of the ordinary working week in accordance with the Federal Labour Law. Separately, from a criminal law perspective, they must avoid requiring employees to work beyond the statutory limits established under the General Law, as amended, since exceeding those limits may constitute labour exploitation regardless of the employee's consent or payment for the additional hours. In practice, employers should maintain robust controls over working time to ensure compliance with both regimes.

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.

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 3 December 2025 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 2026, the general minimum wage in the Northern Border Free Zone

is MXN440.87, while in the rest of the country it is MXN315.04, representing a 13% 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 the case of the 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 criminal 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), where-

as 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 disclosure 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

Outsourcing of personnel is prohibited, except for specialised services and/or specialised works not included in the corporate purpose or main economic activities of the beneficiary of such services. 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 obliga-

tions, 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 legal-

ly 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

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.
- Employers are responsible for ensuring safe and healthy working conditions, including electrical installations, lighting and ventilation, and neces-

sary 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, eye strain, among others.
- Employers must address work accident reports from remote employees or their family members, adhering to protocols established by social security institutions.

Employees must co-operate in verifying that their remote workplace complies with occupational health and safety requirements, either through a physical inspection or by completing a checklist and providing evidence such as photographs or videos. Remote employees enjoy the same individual and collective labour rights as on-site employees, including freedom of association, collective bargaining, the right to disconnect, and special protections for victims of domestic violence and breastfeeding women. NOM-037 applies nationwide and employers may engage an accredited inspection unit to verify compliance, with the resulting report remaining valid for two years provided workplace conditions do not change. Non-compliance may result in fines ranging from 250 to 5,000 times the Unit of Measurement and Update (UMA).

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

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”, which seeks to redefine the traditional notion of the workplace in response to technological change. Mexican legislation has not yet specifically regulated these arrangements, so in practice any associated benefits are governed through employment contracts or internal company policies.

Digital Platforms

In connection with 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.

Reduction of Working Hours

Following the 2026 constitutional and statutory reforms reducing the ordinary working week from 48 to 40 hours by 2030, employers must implement an electronic system to record employees’ working hours. The obligation takes effect on 1 January 2027, with implementing regulations expected during 2026 to establish the applicable technical standards and compliance requirements.

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 incorporation 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 sev-

eral 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 into 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, or to revise an existing one, the union must first obtain a Certificate of Representativeness, issued by the Federal Centre for Labour Conciliation and Registration. The purpose of this requirement is to ensure that the union genuinely represents the employees it purports to represent, and to provide certainty in the negotiation, signing, registration and filing of collective bargaining agreements.

To obtain the Certificate, the union must evidence the support of at least 30% of the employees covered by the intended agreement. The Federal Centre for Labour Conciliation and Registration verifies such support and, where two or more unions concur, determines which of them holds the majority entitlement to negotiate. The Certificate is a precondition for any requests to commence collective bargaining: without it, the employer is under no obligation to negotiate, and the labour authority will not register the resulting agreement.

The Certificate of Representativeness has, in practice, become one of the central instruments of the post-2019 collective bargaining model. By requiring demonstrable employee support before bargaining

begins, it operates as a safeguard against employer protection agreements and aligns the Mexican system with the freedom of association and effective recognition commitments assumed under the USMCA.

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 expired. 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 is 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, entitles 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, entitles 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 to 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 orientation 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 MXN29,327.50 and MXN586,550.00.

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 the event of non-compliance, constitutes an enforceable title that may be enforced through the mechanisms for enforcing 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. Since the entry into force of the USMCA in July 2020 and up to mid-2025, 38 requests for review had been filed, of which six reached the labour panel stage. This mechanism was one of the central topics of the 2026 USMCA review and will be reviewed annually, particularly in light of the existing asymmetry, as the threshold for initiating a case against Mexico is lower than that required to bring a case against the United States or Canada.

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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