

Mexico Employment Practices.

A note written by our Compañía's HR, Payroll and Accounting partners in Mexico

We know there is a lot of information here, and we know you are not looking to be experts in Mexican Labor matters as it might take much time and not be worthwhile for a small volume of staff compared to the staff contracted in HQ.

That's why we offer Human Resources Administration services, so our customers can have their operation in Mexico assisted by HR Experts who will work shoulder to shoulder with you to keep your company aligned to Mexican Laws and rules, and beyond of this, to have the staff focused on their real job.

What are the maternity leave, STD, LTD, FMLA-type laws in Mexico?

Maternity Leave in Mexico:

According to Mexican Labor Law:

Chapter V.

Article 170:

Section II:

Resume:

They (woman) will enjoy rest of 6 weeks before and after the birth.

4 of the weeks before of the birth could be transferred to after birth period (Medical authorization by doctor of Social Security is requested and employer opinion is taken).

In case that child birth with disability or any illness which requires medical attention, the rest could be until eight weeks prior presentation of medical certification.

In case of adoption, they (woman) will enjoy 6 weeks of rest with salary after the date of reception of the child.

In lactation period until 6 months (maximum), they (woman) will have 2 extraordinary rests per day of 30 minutes each one to feed their child or, previous agreement with the employer, 1 hour of the labor day would be reduced during the lactation period.

The salary of the employee on the rest before and after birth is paid by Social Security.

*Social Security will pay daily until 25 times the Minimum daily salary (\$ 64.76 MXN for Mexico city territory), if the employee's salary is above this amount, the employer should establish on its politics how does the company would proceed. (Maximum salary paid is \$ 48,57.00 MXN).

Maternity is paid full by Social Security (100%)

Paternity Leave in Mexico:

Chapter IV.

Article 132:

Section XXVI.

Subsection XXVII Bis.:

To give allowance of paternity of 5 labor days with salary for men workers for its sons birth and, in the same way, in the case of adoption of a child.

The salary of the employee on the rest of paternity is full paid by the Employer.

About The Family and Medical act in Mexico (FML).

Mexico does not have an act defined for the family.

All Mexicans who work should be set up into Mexican Social Security, which is de government institution in Mexico which provides Medical attention to worker and its direct family (Sons, Wife and parents).

Social Security benefits include: Medical, Housing and Retirement benefits.

Medical services is provided by the Social Security.

Housing services are provided by INFONAVIT section

Retirement benefits are Provided by SAR section.

STD Insurance in Mexico: Provided by Mexican Social Security

Mexican Social Security covers sexually transmitted disease, the employees and its family can be treated through Mexican government Medical facilities of Social Security.

In Mexico, besides Mexican Social Security cover, private Medical Insurance exists. We can assist you to find the best health plan for your organization.

About LTD Insurance in Mexico:

LTD (Long Term Disability) is covered by Social Security, Social security provides indemnities according to the illness or injury suffered by the employee whilst in work.

An accident or illness suffered by an employee increases the percentage of Labor Risk of the company, which will result in an increase of the fee of Social Security paid by the employer.

Laws which govern Payroll and Human Resources in Mexico:

Mexican Labor Law (Ley Federal del Trabajo)

Mexican Social Security Law (Ley del Seguro Social)

Mexican Income Tax (Ley del Impuesto Sobre la Renta)

Dependencies which review the development of labor matters in Mexico - Federal:

Mexican Work and Social Provision Department (Secretaria del trabajo y Previsión Social)

Mexican Social Security Institute (Instituto Mexicano del Seguro Social)

Tax Administration Service (Servicio de Administración Tributaria)

I see that background checks can be done – Does this include drug screen testing?

No, drug screen testing should be quoted separately.

Our organization has discounts with two of the most known and recognized laboratories in Mexico which specialize in different testing's.

The price varies from \$ \$ 864.50 to \$ 2,532.40 MXN according to the specialization of the tests on drugs.

How many established holidays are there in Mexico?

Holiday:

Mexico has Official days and non-official days.

Official days are mandatory to give them as day off and non-official are not mandatory but most companies give half day or all day as day off or as vacations.

Official days of Holidays:

January 1st, February first Monday, March 3rd Monday, May 1st, September 16th, November 3rd Monday, December 1st president change (each 6 years), December 25th.

Non-official days of Holidays:

April 5th and 6th, May 10th, November 2nd, December 12th, 24th and 31st.

Other topics that may be interesting for your HR Management...

LEGALLY MANDATED BENEFITS:

About Vacations

Vacation Prima/Bonus: Vacation bonus is paid each time employee takes vacation or accomplishes one year in the company according to company policy. Firms normally pay vacation bonus (Prima) when the employee accomplishes 1 year or leaves the company.

If the employee does not take vacation, then, additional days of salary should be paid according to the number of vacations allowed and not taken.

According to law, Vacation bonus is 25% of salary of the days of vacations.

Example: 6 days per year * .25 = 1.5 days of salary to be paid.

This vacation bonus can be higher according to customer preferences. Some clients go up to 60%.

Vacation days: According to Mexican law vacations days are:

6 days first year, 8 days second year, 10 days third year, and 12 days fourth year, 14 days from fifth to ninth year and 2 days more per each 5 days of service after fifth year.

Some of our customers decide to give more than law requires: It really depends on you.

Some companies provide the legally required benefits and other benefit such as free days; they provide free days to employees as vacations in order they can maximize their Vacation bonus.

Hours of Work normal time and overtime

Overtime.- In Mexico overtime applies for every employee according to Mexican Labor law:

Labor week hours: 48 hours per week Morning.

45 hours per week Mixed (Morning-Night).

42 hours per week Night.

How much vacation is normal?

Annual payment: Vacation bonus is paid each time employee takes vacation or accomplish one year in the company according to company policy. We pay vacation bonus (Prima) when the employee accomplish 1 year or leaves the company.

If the employee do not takes vacation, then, additional days of salary should be paid according to the number of vacations allowed and not taken.

Vacation days: According to Mexican law vacations days are:

6 days first year, 8 days second year, 10 days third year, and 12 days fourth year, 14 days from fifth to ninth year and 2 days more per each 5 days of service after fifth year.

Some of our customers decide to give more than law demands: we have by now some customers with employee's with that level of salary and provide from 10 to 20 days of vacations per year. It really depends on you. Some companies provide legally mandated benefits and another benefit such as **free days**, they provide free days to employees as vacations in order they can save their Vacation bonus.

Is the Christmas bonus 4.17% of salary?

It is calculated as 15 days of monthly salary and paid before 15th December each year.

In Mexico, Salaries are based Monthly and before Taxes.

Explain how the end of service indemnity works.

It depends on the type of labor agreement/contract according to Mexican labor law:

Possible Labor contract to be sign between *our company* and employees:

Trial period contract (not longer than 3 months).

This kind of period applies when an individual has been offered a job with more than 180 days of work, during this period the employee would enjoy the benefits of: Salary, social security and benefits.

At the end of this period if the employee does not satisfy the requirements and knowledge necessary for the job, the labor relationship may be terminated without responsibility for the Employer.

Fixed length contract (not longer than 1 year).

If employee leaves: Customer doesn't have the obligation to pay any additional amounts to the employee.

If the employer terminates the employee before the end of the contract: he must pay 6 months of salary according to Mexican labor laws or the remaining time of the contract as severance concept. 6 months is the maximum.

When the contract end date is reached: Customer doesn't have any obligation to pay additional amounts to the employee.

Fixed length work contract (no longer than 2 years).

If the employee leaves: Customer doesn't have the obligation to pay additional amounts to the employee.

If the employer terminates the employee before the end of the contract: he must pay to the employee 6 months of salary according to Mexican labor laws or the remaining time of the contract as severance concept.

When end time is reached: Customer doesn't have any obligation to pay additional amounts to the employee.

Undefined length contract (No end date established).

If the employee leaves: Customer does not pay anything else.

If the employer terminates the contract: he must give to the employee 3 months of salary according to Mexican labor laws plus 20 days of salary per each year worked (seniority).

What are the requirements for releasing someone?

Nothing special necessary, but the Employer may need severance pay if applicable- as indicated above.

There exist some cases when employers can release someone without paying severance, those cases are: cheating the employer, fighting on customer facilities, damage or threat to employees of the company or facilities (With evidence), using or working under effects of illegal substances or alcohol.

Is there a probationary period when someone starts?

Yes as mentioned above.

How frequently do people receive pay in Mexico? Weekly, biweekly, monthly?

Blue collar staff in Mexico receive payment weekly.

White collar staff receive payment biweekly or half-month (We make semi-monthly payments).

When you quote monthly costs, how many working hours per month and per week are included?

In Mexico working hours are regulated by Mexican Labor law, which establishes:

Labor week hours: 48 hours per week Morning.

45 hours per week Mixed (Morning-Night).

42 hours per week Night.

The monthly cost was calculated under 48 hours per week, 4 weeks per month.

When someone works on an hourly basis as a contractor do we pay just for hours worked, or do we pay on a monthly basis like a salary?

Mexico has approved last year a new labor law which established hourly basis, but unfortunately, Social Security charges are based monthly and there do not exist clear rules to pay on hourly basis yet.

We suggest to pay on a monthly basis like a salary for the moment.

Funding of payroll/employment services

If we get the business with our client can we do all transactions in Mexican pesos and just wire transfer the money to you?

Yes, We can invoice to you in Mexican Pesos and receive transactions in Mexican Pesos by wire transfer.