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UPDATE: Mexico Postpones Congressional Consideration and Approval of the Outsourcing Bill

12.14.2020

On December 9, 2020, Mexican President, Andres Manuel Lopez Obrador, executed a symbolic agreement with labor unions and business leaders to negotiate a controversial amendment to Mexico's Federal Labor law that would virtually prohibit all outsourcing practices (except for specialized work) in Mexico (the "Bill"). For a more thorough description of the provisions included in the November 12 Bill, please refer to our previous client alert.

The Bill was under analysis and discussion in Mexico's Chamber of Deputies (the lower house). According to the agreement, congressional approval of the Bill will be postponed for further legislative discussions until February's 2021 legislative session.

In the meantime, it is expected that negotiations between business and labor sectors and the federal government may include capping profit-sharing rates (currently 10%) for employers to make it less onerous for them to hire workers directly. Also, the parties agreed to cease abuses under the current outsourcing regime and take the necessary actions to bring their employee workforce into compliance with the new provisions yet to be approved and published.

Although the legislative discussion and approval on the Bill was suspended until February 2021, there is no indication at this time that the Bill will not be enacted. Consequently, employers should continue to analyze their hiring practices and how they may be impacted by the approval of the Bill. As discussed in the prior client alert, some companies with personnel engaged through outsourcing may need to plan for the potential termination of their service agreements and provide for alternate staffing solutions. It continues to remain unclear when the bill could enter into force once the discussions start next February.

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Business representatives have criticized the Bill denouncing it as a job-killer. Carlos Salazar, the head of one of the nation's largest business chambers, likened the legislation to chopping down trees to remove one bad apple.

Butzel will be providing further Client Alerts and other updates as we analyze and continue to monitor the Bill's progress through the Mexican Congress. For assistance in properly following Mexico's work guidance, or if you have any specific questions you would like us to address, please contact us. We are here to assist you.

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