

## Agreement on the Bill reforming subcontracting in the Federal Labor Law

Today, the president of the Mexican Republic, together with the Ministry of Labor and Social Welfare and representatives of the Legislative Branch, announced an agreement with the principal representatives of the business and worker sector with respect to the Bill reforming subcontracting, which was presented at the end of last year.

This agreement is the result of the round table discussions and forums that were held over the last 3 months. In this respect and subject to learning the text of the Bill which must be reviewed and approved by the Deputies Chamber and then the Senators Chamber, we consider that the following is most relevant:

1. The prohibition on subcontracting personnel (*outsourcing or insourcing*), consisting of an individual or entity providing or making available its own workers in benefit of another, is confirmed.
2. The subcontracting of specialized services or the execution of specialized works that do not form part of the corporate purpose and preponderant economic activity of the contracting company is regulated, provided the company is registered before the Ministry of Labor and Social Welfare.

This represents a change to the Bill since it did not mention registration but rather authorization and now the subcontracting of specialized services is mentioned.

3. A period of three months from its publication would be granted for the subcontracted workers to become part of the payroll of the real employer (contracting company), in the cases involving subcontracting of personnel.

This is relevant since the Bill did not contemplate a period for its entrance into force.

4. It is sought that the payment of the profit sharing have a maximum limit of three months of salary or the average of the share received in the last three years, whichever is more favorable for the worker. In other words, a cap is established on the PTU (participation of the workers in the profits of the companies).

Nevertheless, it is important to know the terms under which the Bill will actually be modified, which will have to be reviewed and approved by both Chambers.

For more information on the Bill, we share the links to our Flashes of November 13 ([click here](#)) and 18 ([click here](#)), 2020.

We will keep you informed of any progress and would be glad to advise you on the implementation of a plan of action to comply with the terms of the Bill.

To obtain additional information contact our experts:

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