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Mexico proposes restrictions on the use of outsourced labor

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Plans to reform Mexico's outsourcing laws, outlined by the president on 12 Nov 2020, would prohibit operating companies from using service provider entities or third-party providers of labor to perform core business functions. The reforms aim to curb the misuse of outsourcing by companies, reduce tax evasion, and improve employee's working conditions. The proposed measures are expected to be published soon, although the Mexican congress has not prioritized this issue for the first semester of 2021.

Highlights

- **Use of specialized contractors.** Employers would still be allowed to hire contractors who provide specialized services unrelated to the organization's core business. Such contractors would be subject to authorization by the Work and Social Welfare Secretary, and employers wanting to hire them would have to meet other notification criteria.
- **Participation in company profit sharing.** Companies' profit-sharing schemes would have to include employees previously employed by service entities or third-party providers. Currently, employers must share 10% of a company's taxable profit with employees, and outsourced employees do not participate in profit-sharing arrangements.
- **Alignment and modification of different laws.** The reforms would require changes to other laws, such as the federal labor law, the social security law, the law governing the Institute of the National Housing Fund for Workers, the federal fiscal code, the income tax law, and the value-added tax law.
- **Employer substitutions.** The current practice of transferring employees from one company to another without requiring the employees' consent would no longer be allowed. The bill likely would make staff transfers subject to new criteria, including the transfer of company assets. Companies should consider starting to prepare for changes to outsourcing rules, such as analyzing their current

staffing structures to determine which roles depend on outsourced staff, and jobs that could still require specialized outsourced workers.

Related resource

- [Announcement](#) (Spanish) (Government of Mexico, 12 Nov 2020)

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