HIGHLIGHTS OF THE MEXICAN LABOR LEGISLATION

INTRODUCTION

Employer-employee relationships are regulated by the Federal Labor Law. Also applicable are the Social Security Law, the Law of the National Worker's Housing Development Fund Institute and the Income Tax Law.

Employer-employee relationships may be of either an individual or a collective nature.

A relationship is deemed to be individual when the employer (either an individual or a corporate entity), hires the services of one or more employees, and collective when the relation occurs between an employer and a union.

Upon commencement of a labor relationship, the employer is obligated to enroll the worker with the Mexican Institute of Social Security and pay the bimonthly dues as contemplated in the Social Security Law.

Both the government and the workers participate in this social security regime, which covers work and general diseases, pregnancy, disability, retirement, dismissal due to age, death and child care centers.

Social Security dues depend on the worker's daily salary and are payable every two months, but partial payments are made every month. The employer's share of social security dues amounts to approximately 17% of a worker's daily salary, limited to ten times the minimum wages for the Federal District.

The above enrollment releases the employer from any liability in this connection, and renders the Mexican Institute of Social Security liable for the payment of pensions, subsidies, medical attention, hospitalization, orthopedic apparatuses and prosthesis.

Employers are also obligated to pay 5% of a worker's salary to the National Worker's Housing Development Fund Institute for said entity to implement housing programs for the workers, or finance the construction or improvement of workers' dwellings. This 5% may not exceed ten times the minimum wages for the Federal District.

The use of labor of minors under sixteen years of age is prohibited, but no maximum age limit is contemplated.

Non-Residents or foreigners require prior authorization from the Immigration Department to be employed in the country. Said permit is generally granted to technicians or executive officers.

Labor conditions must be stated in writing, indicating the worker's name, position, duties, work shift, salary and any other condition related to the activity to be performed.

For every eight hours of labor, a worker shall receive, at least, the minimum wage. There are three economic zones in the Mexican Republic each with its own minimum wage. As of January 1st. 2013, the minimum wages per day are:

		PESOS
Zone A	Including México, D.F. and Baja California.	$64.76
Zone B	Other	$61.38

Labor contracts may be for a fixed term, for a specific job, or for an indefinite period of time.

In addition to the above, the new labor reform recently enacted this past December 1st, 2013, contemplates hiring workers on a trial and training basis (with a period of 30 to 90 days on trial, and 90 to 180 on training).

For the first nine hours of weekly overtime, a worker's pay will be doubled; any hours exceeding this must be paid triple.

If, at any time, a worker's day off is other than a Sunday, he is entitled to a 25% premium, over and above his regular daily wage for the Sunday thus worked. In the event the employee works any mandatory holiday, he or she shall be entitled to receive twice his or her daily salary, over and above said day's salary.

Work shifts may be a day shift (between 6 a.m. and 8 p.m.), a combined shift (combining times of the day and the night shifts, provided that the time of the night shift does not exceed three and a half hours), and a night shift (between 8 p.m. and 6 a.m.), from Monday through Saturday.

The maximum duration of the shifts are up to 8 hours for a day shift, 7 hours for a night shift, and 7.5 hours for a combined shift.

Work shifts may be allocated in five days per week in order to enjoy two days off with paid salary, generally Saturday and Sunday.

During the continuous work period the employee will be granted at least a half-hour break.

If a worker cannot leave the workplace during the time of the lunch break, that time will be computed as time actually worked during the corresponding work shift.

The work shift may be extended due to extraordinary circumstances, without ever exceeding three hours in one day, nor three times in one week. Workers are not obligated to provide their services to a greater extent than that which has been stated.

For every six days of work, the employee is entitled to one day off with paid salary.

Compulsory holidays are January 1, the first Monday of February in commemoration of February 5, the third Monday of March in commemoration of March 21, May 1, September 16, the third Monday of November in commemoration of November 20, December 25, and December 1 of every six years upon transfer of the federal power, and Election Day.

Minimum vacation time for workers is 6 days after the first full year of services, 8 days after the second year, 10 days after the third year, and 12 days after the fourth year. Thereafter, the minimum vacation period must be increased by 2 days for every 5 years of service.

Workers are entitled to enjoy vacation time with paid salary, plus a vacation premium equal to 25% of the normally paid salary corresponding to said vacation time.

Vacation time accrues on a yearly basis. Employers must grant vacation leave to workers within six months of each yearly accrual.

Every year during the month of December, employers must pay workers a Christmas bonus equivalent to at least 15 days of salary.

Workers are entitled to a percentage share of an employer's profits. Profit sharing is equivalent to 10% of employer's before income tax. Payment is made on a yearly basis and all workers are entitled to it, with the exception of the directors or administration personnel. Companies are exempted from this obligation during their first year of operation.

TERMINATION

Labor relations may be terminated by mutual agreement of the parties, by expiration of the labor contract, or by completion of the job.

Labor relations may also be terminated with a justified cause, attributable either to the employer or to the worker. The law specifies, among others, the following causes for termination for reasons concerning the worker's performance: dishonesty, disobedience, negligence, mistakes in the job, quarrels, alcohol consumption, use of drugs, and more than three unjustified absences within a period of thirty days

Employers may discipline workers for any workplace rule violation or terminate the labor contract if there is justified cause. However, this right is subject to a one month statute of limitations. In the event that the employer decides to terminate the labor contract, it is strongly recommended that he or she obtain a prior opinion from the company's legal counsel, in order to determine whether the company has sufficient elements to justify its actions in the case of a wrongful termination lawsuit brought by the worker.

If the Local or Federal Conciliation and Arbitration Board, which are the Courts with jurisdiction over labor conflicts, find that an employer has terminated a labor contract without justifiable cause, he or she will be ordered to pay the worker an indemnity, consisting of three month's salary, seniority

premium, a prorated share of the worker's Christmas bonus, accrued vacation time, and vacation premium, plus back salaries. Back salaries are those earned from the date the worker was fired until payment of the indemnity, whether the worker was rendering services to any other employer during such period or not.

The seniority premium consists of 12 days of salary (up to a maximum of two times the daily minimum wage) for each year of seniority.

COLLECTIVE RELATIONS

Labor relations are deemed as collective when occurring between the employer and a union. Said relations are governed by collective bargaining agreements that may include the company as whole or only certain areas thereof. These agreements must be ratified with the Local or Federal Conciliation and Arbitration Board, as appropriate. The clauses of a collective bargaining agreement dealing with salaries are negotiated on a yearly basis, and the entire agreement is negotiated every two years (salaries, benefits, and administrative matters).

Generally, negotiation implies an increase in the monetary aspects and amendments of the administrative matters of the agreement.

STRIKE

Negotiations may be requested directly with the employer or through the Labor Board by means of strike notice.

A strike is the temporary suspension of activities for the purpose of coercing the employer to execute a new collective bargaining agreement, negotiate salaries or an entire agreement, demand compliance with the agreement, or observance of provisions regarding profit sharing.

During a strike, access to the company's industrial facilities is prohibited and, consequently, no production activity may be conducted.

Labor authorities participate to prevent workers from going on strike, offering alternatives with the assistance of conciliators, and executing all of the agreements reached in writing.

A strike may be declared illegal based on the merits of the case, because of formal errors or by the decision of a majority of the workers. To confirm the majority decision, the workers in favor of the strike are counted after they have gone on strike, and if there is no majority decision, the strike is declared illegal.

If the cause of the strike is attributable to the employer, the employer must pay back salaries and any applicable benefit demanded by the union and approved by the Conciliation and Arbitration Board.

Should the strike be declared illegal, no back salaries are due in favor of the workers.

In general terms, the labor situation in Mexico is secure, and no risk exists in creating new jobs or maintaining those already existing.

Note: This is a summary covering general aspects of the Highlights of the Mexican Labor Legislation. For specific advice please consult with your legal counsel. If you require further information, please contact Pasero Abogados, S.C., by telephone at (619) 498 9282 or 52 (664) 686 5557; via facsimile 52 (664) 686 5558; by e-mail: pasero@paseroabogados.com; or by mail at P.O. Box 767, Bonita, California 91908, U.S.A.