

## Amendment to Federal Labor Law in connection with vacation days

Labor - December 28, 2022

On December 27, 2022, an amendment to the Mexican Federal Labor Law was published in the Official Gazette of the Federation in connection with vacation entitlements (the "Reform"), which will become effective on January 1, 2023.

After several months of discussion in the Legislative Branch and negotiations with the private sector, the final outcome resulted in the amendment of articles 76 and 78 of the Mexican Federal Labor Law as follows:

- Article 76: Employees with more than one year of service will enjoy an annual period of paid vacations which in no case may be lower than 12 working days, and which will increase by two working days for each subsequent year of service until reaching a total of 20. As from the sixth year, the vacation period shall increase by two days for every five years of service.
- Article 78: The total vacation period corresponding to employees according to the provisions set forth in Article 76 of this Law shall be equivalent to at least 12 continuous days. Said period, may be distributed in the manner and time required by the employee.

In addition to the above, the transitory articles establish that the Reform will apply on all employment contracts and collective bargaining agreements in force at the date of its entry into force, provided that the Reform is more favorable to the rights of the employees.

It is important to point out that the Legislative Branch has stated the need to protect the rights of employees in Mexico, including the increase in vacation days, which had not been modified in 52 years.

Due to the foregoing, it is necessary to analyze the potential implications of the Reform on Mexican companies' operations taking into account the increase in labor costs, as well as analyzing the need to notify employees of the new applicable provisions, taking into account the needs of each particular case.

If you have any questions or comments, please do not hesitate to contact us.

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