

Market and Benchmark Insight Report for Mexico – 2019

Competitive employee benefit norms for mid-market employers in Mexico

Introduction

For over 35 years, Intertec has provided employee benefit consulting to hundreds of companies in different industry sectors. Through comparisons and statistical analysis, we provide our clients with an overview of provisions and benefits trends for employees in the Mexican market.

Hundreds of organizations in Mexico consider their benefit advisors as a key asset. Our role is to help those companies manage their workforces by designing a well-structured benefit program that generates value for the employees and attracts and retains the right talent.

In this document, we explain three primary drivers that shape employee benefits in Mexico:

- Salary levels in Mexico
- Mandatory and social security benefits
- Benefits exceeding those established by law

We are proud to be an Asinta Partner, and hope this document is of use to you.

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1. Salary Levels in Mexico

Salary levels in Mexico are much lower than in other parts of the world. This fact makes it even more important for companies to create benefit packages that help recruit and retain valuable employees.



The numbers below help put it in perspective. The Labor Observatory of the National Employment System in Mexico (below) published the average wages per activity area. Also, according to the figures from the second quarter of 2017 by the National Survey on Jobs and Employment (ENOE, abbreviation in Spanish), the monthly average income of professionals in Mexico is 11,294 MxP. Five out of the ten areas of knowledge are above the national level.

Profession	Average monthly salary	
	In Pesos	In USD
Physics and Mathematics	13,922	719.48
Architecture, Urbanism, and Design	13,537	1,000.36
Engineering	12,465	644.18
Economics and Administration	11,712	605.27
Social Sciences	11,568	597.83
Health Sciences	11,140	575.71
Biological Sciences	10,752	555.66
Arts	10,042	518.97
Humanities	9,556	493.85
Education	9,183	474.57

Salary related figures	Average monthly salary	
	In Pesos	In USD
Average Exchange Rate		
- March 2018	\$18.57	\$1.00
- March 2019	\$19.24	\$1.00
Exchange Rate as of March 30th 2019	\$19.35	\$1.00
Monthly Minimum Wage	\$3,080.40	\$159.19
Northside Border Free Zone Minimum Wage	\$5,301.60	\$273.98
UMAM (Monthly Unit for Measurement and Updating)		
- 2018	\$2,450.24	\$126.62
- 2019	\$2,568.50	\$132.74
VAT in all the country	16%	16%
in the Northside Border Free Zone Minimum Wage	8%	8%



2. Mandatory Benefits

Benefit laws are determined on the federal level only. There are no state laws that require compliance.

Mexican social security benefits are provisions employees must receive when beginning a new job. They are independent of the financial remuneration or wage, and they are given if an employee works for a legal entity, a natural person, or in subordinate employment (e.g. there is a schedule for starting and ending the workday). Such benefits are established by the Federal Labor Law (LFT), and it is compulsory for the employer to provide them.

2.1 Vacation

After one year of employment, workers are entitled to the following paid vacation time:

Years of seniority	Days of vacations
1	6
2	8
3	10
4	12
From 5 to 9	14
From 10 to 14	16
From 15 to 19	18
From 20 to 24	20
From 25 to 29	22



2.2 Mandatory Rest Days

In addition to vacation days, the following dates are mandatory, paid non-working days:

Date	Celebration
January 1st	New Year's Day
February, first Monday	Constitution Day
March, third Monday	Benito Juarez's birthday
May 1st	Labor's Day
September 16th	Mexican Independence Day
November, third Monday	Mexican Revolution Day
December 1st	Every 6 years, Mexican's President change
December 25th	Christmas

The Mexican Stock Exchange, all banks, stock brokers, insurance and surety bonds companies are closed on the following bank holidays:

- Thursday of Easter week
- Friday of Easter week
- November 2nd, Day of the Dead
- December 12th, Virgin Mary's Day

These days are also paid, and it is common for other sectors or industries to grant these days.

2.3 Vacation Premium

In addition to paid vacation days, employees are entitled to 25% of their daily wages for each day they are on vacation. For example, if an employee makes \$10 a day, then they make \$2.50 for a vacation day.

This Vacation Premium does not apply to mandatory rest days, and bank holidays.

2.4 Christmas Bonus

The Federal Labor Law says that employees must receive 15 days of salary upon reaching one year of employment for their Christmas bonus. Otherwise, the Christmas bonus is prorated for actual days worked during the year using 15 days as the annual criteria.



2.5 Social Security System

All workers are entitled to be registered in the Mexican Institute for Social Security (IMSS) so they can receive free medical care as necessary.

Through the IMSS, the employee is covered for:

- Occupational hazards
- Illness and/or maternity insurance
- Childcare facilities, nursery, and social provisions
- Nursery services

Through the Retirement Savings System (SAR), the employee has:

- Life and disability insurance

Retirement	At the age of	Number of weeks per IMSS requirement	
Under the IMSS' Law		Applicable in 1973	From 1997
- Retirement	65	500 weeks	1,250 weeks
- Anticipated retirement	60		
Benefit		Defined benefit	Defined contribution

Through the National Institute for the Workers' Housing Fund (INFONAVIT) the employee is entitled to participate in the following programs:

- Housing
- Mortgage credit



2.6 Profit Sharing

Whenever a company in Mexico generates profits, it is required to pay 10% of those profits to its workers. The amount shared is divided in two. The first half is distributed among the workers according to the worked days over the year. The second part is applied in proportion to the employee's income level.

This benefit does not apply to CEOs, CFOs, General Directors, General Managers, and Administration and Finance Directors.

2.7 Rest Days

Federal Labor Law requires employees receive one rest day a week. Labor law seeks it to be on Sunday.

2.8 Sunday Premium

Employees required to work on a Sunday must, at a minimum, receive an additional 25% of their daily salary on top of their normal daily salary.

2.9 Maternity Leave

Women are entitled to six paid weeks of leave before childbirth and six paid weeks of leave after childbirth. While pregnant, they cannot perform any activities that may risk both the mother's or the baby's health.

2.10 Breastfeeding Period

If the company has rooms where the baby can be fed, the worker may take two 30-minute periods per day to do so. Otherwise, her working day shall be reduced to one hour. This period lasts for about six months.

2.11 Adoption Leave

Those women who adopt a child are entitled to six paid weeks of leave.

2.12 Adoption and Paternity Leave

Men are entitled to five days of leave for either adoption or paternity.



2.13 Seniority Premium

Additional payment to permanent workers upon the five job separation circumstances mentioned ahead and it is based on their length of service. This premium consists of twelve days salary for each year of service, or twelve days of two times the minimum monthly wage for each year of service, whichever is lower. If the employee does not the whole year, a proportional share shall be prorated.

This benefit is enacted in cases of:

- Death
- Disability
- Termination with or without a justified cause
- Voluntary Resignation (only if the employee has 15 years or more of seniority)
- Retirement (only if the employee has 15 seniority years or more)

2.14 Unjustified Dismissal Provisions

In the event of unjustified dismissal, the employees have the right of a severance payment of three months of his/her integrated salary; which includes:

- Salaries corresponding to the worked & unpaid days
- Bonuses
- Christmas bonus (proportional)
- Vacation premium (proportional)
- Outstanding salaries

In the event of a labor lawsuit, the labor authorities may request the employee reinstatement under the same job conditions the employee had before the dismissal.

- If the employer does not reinstall the employee, he/she will be entitled to receive in addition to the severance payment mentioned above, the amount of twenty days of salary for each seniority year.
- The salary that corresponds to the date in which the payment is made
- The back-pay salaries will be computed since the date of termination up to a maximum period of twelve months.

- If the process exceeds twelve months, interests will be paid on the amount of fifteen months of salary at 2% monthly, capitalizable at the date of payment.
- In case of the death of the workers during a trial, the back-pay salaries will stop being computed as of the date of death.

All legal benefits may be more comprehensive. However, the most common additional legal benefits that employers grant over the established law are:

Christmas bonus

- It is common to pay 30 days of salary for the Christmas Bonus instead of 15 days.

Vacation paid days

- Employers typically grant ten days of paid vacation during the first four years of the employee's seniority.

3. Wider Benefit Provisions

There are companies in Mexico that decide to grant a wider provision of benefits to their employees. There is not a minimum benefit level, nor are there any specific types of perquisites (benefits). For example, each company offers different kinds of guarantees to their workers, and these are normally determined by industry.

The following items in this section are common benefits employers offer in Mexico.

3.1 Life Insurance – Basic Coverage

Group life insurance plans are granted for companies with 10+ employees. The underwriting process, coverage, special clauses, ages of participation, and the premiums may vary according to the size of the group.

Eighty five percent of global companies grant life insurance coverage to their employees, while only 50% of the Mexican companies do so. Life insurance benefits granted to non-unionized employees is based on a multiplication of the employee's monthly salary. Unionized employees' life insurance is negotiated by the union and, in most of the cases, the sum insured is fixed between US \$2,600 to US \$10,500. Unionized employees include this benefit in their collective labor contracts and, in most of the cases, indicate a small insured fixed sum.



Sector	1Q Market Practice	3Q Market Practice
Financial services	24	48
Hi-Tech	24	36
Logistics	12	48
Professional Services	24	48
Construction	12	24
Pharmaceutical	12	48

Note that there are companies that grant 60 months of salary for their VPs and/or Directors.

3.1.1 Total and Permanent Disability (Long Term Disability)

If the employee is declared as having a total and permanent disability they are entitled to:

- **A lump sum payment** equal or lower than the basic benefit. Formerly this benefit was paid to the insured person as a monthly pension. Due to the Mexican Peso exchange rate and interest rates, the benefit was changed to a lump sum.
- **A waiver of premiums** where the employee remains insured with the same basic coverage, without paying any insurance premium.

3.1.2 AD&D

In the event of an accidental death the employee's beneficiaries will receive the contracted insured sum. The policy will also cover accidental dismemberment caused by an accident.

3.1.3 Funeral Expenses

It has become more common to include an additional coverage for covering the employee's last expenses within the life insurance policy. This benefit ranges between US \$1,500 and US \$5,000.

Spouse and children may be included in this benefit.

3.2 Major Medical Insurance

In Mexico, there are nearly 60 million people without social security, and those who do have it often find that the government sponsored healthcare system does not meet the populations' demand. Major medical insurance is increasingly valued and used by employees, making this benefit one of the most important factors considered when evaluating a job offer.

Figures from the Mexican Association of Insurance Companies (AMIS) show that at the end of 2016 there were over seven million people medically insured by an employer. Ninety three percent of the global companies in Mexico grant a major medical benefit to their personnel, while only 60% of Mexican companies grant this provision. Note that this benefit is typically granted to non-unionized employees.

Although almost all the insurance companies establish the policy limits and scopes in Monthly Unit for Measurement and Updating (UMAs) or in Times Monthly Minimum Wage (TMMW), we are presenting all figures in their equivalent to US dollars.

The average sum insured (in USD), deductible and coinsurance per economy sector are:

Sector	1Q Market Practice	3Q Market Practice
Financial services	\$100,000	48
Hi-Tech	\$100,000	36
Logistics	\$160,000	48
Professional Services	\$200,000	48
Construction	\$150,000	24
Pharmaceutical	\$200,000	48
Deductible due to illness	\$125	\$520
Deductible due to accident	\$0	\$520
Coinsurance due to illness	10%	10%
Coinsurance due to accident	0%	10%
Maximum coinsurance	\$1,300	\$2,600
Birth or caesarean benefit	\$1,300	\$4,000



3.2 Dental and Vision Insurance

These benefits are usually provided through the major medical Insurance though some companies acquire it independently. It consists of an economic benefit, with or without employee copayments, which are normally no more than 20%. These services typically cover first level medical conditions, both for both dental and vision.

Dental insurance typically covers:

- Basic services
- Minor surgical procedures
- Endodontics
- Third molar (wisdom teeth) removal
- Periodontics
- Crowns and prosthodontics
- Annual coverage amount

Vision insurance typically covers:

- Sight examinations
- Frame, prescribed lenses (annual limits)
- Prescribed contact lenses (annual limits)
- Hard cases
- Contact lens cleaning solution
- Discounts in higher level glasses and/or not covered products
- Discounts in replacements (once a year)

3.3 Minor Medical Insurance

Minor medical insurance or a services grant offers the following services through a closed network managed by the insurance company:

- Health prevention and maintenance
- Medications
- Discounts in diagnostics and auxiliary services such as lab, X-ray, tomography, and MRI scans
- Limited odontology services

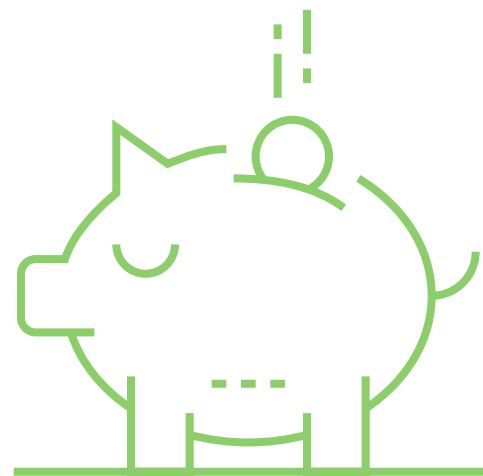
3.4 Food Vouchers

Food vouchers act just like cash and are 10% of the employee's salary up to one month's minimum wage. The vouchers are exchangeable for goods in predetermined stores, and allow employees to purchase food. This benefit is tax-free for the employees and is accessed through debit cards provided by the employer.

3.5 Savings Fund

Employees are encouraged to save a certain amount of their monthly salary each year. Typically, the company will match the percentage the employee saves up to 13% of the employee's salary if the following rules are followed:

- The employer and the employee should contribute the same percentage
- The company contribution may be up to 13% of the employee's salary, up to 10 times the 13% of the minimum monthly wage which is US \$207 approximately
- Assets must be used to provide loans to employees
- The fund and generated interest will be withdrawn by the employee once a year
- The employee shall receive their total fund tax-free





3.6 Retirement Plan

In addition to the benefits granted through the Saving Retirement System, private retirement plans consider:

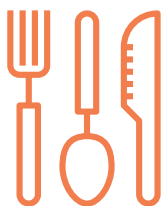
- The retirement ages:
 - Early retirement at 60 years old
 - Normal retirement at 65 years old
- 35% to 40% of global companies grant a retirement plan to their employees
- The trend is to establish a defined contribution plan
- An employee's contribution ranges from 2% to 10% of their salary
- The company's contribution matches the employee's 1 to 1
- The company's contribution plus the employee's contribution should not be more than 12.50% of employee's annual salary.
- Vested rights are granted from the third year of participation in the plan.

3.7 Company Car

Some companies offer a car to certain key employees, such as managers, directors, salespersons, medical representatives or insurance agents. Generally, the employee may keep the vehicle after some time by paying an amount under its commercial value. Cars are usually leased by the company which is a deductible expense.

3.8 Dining Hall Service

In some industries where most employees are blue-collar workers, companies install an industrial dining hall run by an outside company where workers buy their meals at a discounted price. Others allocate space where the workers can eat their meals, placing tables, refrigerator, microwave ovens, etc. About 40% of employers offer this benefit.



In both cases, employees are entitled to the same service.

3.9 Commuting Service or Support

This is granted in two different ways. One is with gasoline vouchers that the worker can use to pay for fuel. The other provides an allowance to workers who commute from designated locations to the office, and back.

3.10 Parking Service

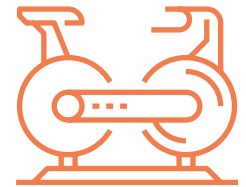
In some cases, companies will pay for an employee's parking space or meter.

3.11 Loan Service

Some companies offer low interest loans to employees. These loans are generally personal credit, mortgage loans or car loans.

3.12 Sports Clubs

Companies can either install a sports club inside their facilities or offer employees discounted memberships to sports clubs or gymnasiums.



Some companies grant golf course memberships for their senior executives.

3.13 Punctuality Bonus

As the name indicates, this is an amount of money paid to the worker each month for arriving early to work.

3.14 Productivity Bonuses

Productivity bonuses are a percentage paid to the workers if they meet annual performance goals.



4. Insured Benefits – Typical Benefit Designs and Costs

Benefit	Coverage	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach	Taxes	
						Employer	Employee and / or Beneficiary
Life Insurance	"Basic coverage Death coverage"	"This benefit is one of the most economic benefits in Mexico. Most of the foreign companies in the country provide this benefit to their employees. 40 insurance companies out of 84 in the country managing group life insurance."	From 12 to 24 months of salary.	From 24 to 48 months of salary.	More than 48 months of salary	"Life insurance is VAT-Free IRS: Insurance premium is 100% tax deductible if: The benefit is granted for all employees.	"The insurance premium is not considered as an income for the employee. The benefit is tax-free if: The employee receives the benefit due to a total and permanent disability or due to a dismemberment.
	"Accidental death and dismemberment AD&D"	"It is the most common additional benefit provided through the life insurance policy. It is well appreciated by all employees. Unions include this benefit in all their contracts. This coverage may be also acquired through a Personal Accident Policy"	Benefit included	Benefit included	Benefit included	The benefit should be equal for all employees, but may be different for: 1. unionized personnel. 2. Employees with exposure to a different kind of risk. 3. Eligibility due to age, seniority or both."	If it is a legacy to the employee's spouse, children or parents. Otherwise, the benefit will be taxable."
	"Total and permanent disability (Long Term Disability)"	"This coverage is commonly provided for Non-Unionized personnel, managers and/or VPs. The sum insured should be equal to or lower than the one provided by the Basic coverage. Its coverage provide a lump sum payment. It is possible to include an additional clause of waiver of premiums, with which the beneficiaries will receive the payment of the same benefit of the Basic coverage when the disabled person passed away."	Benefit not included	Benefit included	Benefit included		
	Funeral Expenses	"This coverage may be contracted as an independent benefit or as an additional benefit in the life insurance policy. It can be granted for: - The employee, - The employee, and his/her spouse, - The employee, his/her spouse, and their children Premiums are among US \$20 and US \$100 per employee and depend on the sum insured and the people covered by this benefit."	Benefit not included	Benefit included	Benefit included		
<p>"Premiums will vary according to ages, occupations, locations and benefits contracted. Non-Unionized employees premiums are around 0.30% to 2.00% of the salary."</p>							

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Continued: Insured Benefits – Typical Benefit Designs and Costs

Benefit	Coverage	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach	Taxes	
						Employer	Employee and / or Beneficiary
Major Medical Insurance	<p>It is one of the most appreciated benefits by all employees. Commonly, companies in Mexico grant this benefit for the employee, his/her spouse, and his/her children.</p> <p>Most of the companies pay 100% of the family premium; although about 30% of the employers charge the employee 50% of the economical dependents' premium.</p>	<p>Sum Insured \$500,000</p> <p>Deductible \$130</p> <p>Coinsurance 10%</p>	<p>Sum Insured \$500,000</p> <p>Deductible \$130</p> <p>Coinsurance 10%</p>	<p>Sum Insured \$500,000</p> <p>Deductible \$130</p> <p>Coinsurance 10%</p>	<p>Major medical expenses insurance's VAT is 16%</p> <p>IRS:</p> <p>The insurance premium is 100% tax deductible if:</p>	<p>The insurance premium is not considered as an income for the employee.</p> <p>All major medical or minor medical expenses paid through an insurance company reimbursement, as well as the payments done by the insurance company on behalf of the employee to the physicians, hospitals, laboratories and related providers, are tax-free.</p>	
	<p>Premiums are calculated considering the size of the group, the age, and the gender of the employees.</p> <p>Depending on the size of the group, the claims experience may affect the premiums.</p> <p>Average individual premium in group policies is among US \$800 and US \$1,150.</p> <p>Premiums as a percentage of the annual payroll may be around 4.00% to 8.50%</p>	<p>The company only pays the employee's premium.</p> <p>Deductible and coinsurance do not apply in the event of an accident</p>	<p>The company pays the employee and his/her spouse premium</p> <p>Deductible and coinsurance do not apply in the event of an accident.</p>	<p>The company pays the whole family premium.</p> <p>Deductible and coinsurance do not apply in the event of an accident.</p>	<p>The benefit is granted for all employees.</p> <p>The benefit should be equal for all employees, but may be different for:</p> <ol style="list-style-type: none"> 1.- unionized personnel. 2.- Employees with exposure to a different kind of risk. 3.- Eligibility due to age, seniority or both. 		
	<p>Special conditions available for large groups:</p> <p>Preexisting conditions;</p> <p>Elimination of waiting periods;</p> <p>Catastrophic coverage in terminal diseases;</p> <p>Coverage for medical complications due to a not covered condition.</p> <p>Right to convert the group coverage into an individual policy (Portability).</p> <p>Surgical fees catalog: To raise into 150% or 200% of the Usual and Customary Expenses criteria used by the insurance company in the reimbursement of a claim.</p>						
Minor Medical Insurance	<p>This benefit was designed to replace the IMSS (Mexican Social Security Institute) services; unfortunately, the Government has not authorize this replacement.</p> <p>However, some insurance companies still offering this kind of insurance.</p> <p>The coverage is provided by a closed medical network.</p> <p>The average individual premium is US \$500</p>	<p>Senior staff only covered – providing cover for just the employee.</p>	<p>Many employees covered, with senior employees allowed to cover their dependents at the employer's expense.</p>	<p>All staff and dependents covered at employer's expense.</p>			
Dental	<p>Dental & Vision insurances may be acquired as an additional coverage of the mayor medical expenses or as an independent policy.</p>		<p>Not provided</p>	<p>Not provided</p>			



5. BENEFIT TRENDS

5.1 Flexible Benefits Program

Many employers offer flexible benefit programs where employees can choose between high, medium and low levels of coverage for various policies. This lets employees choose the most appropriate benefits for their lifestyle, age, and family members. All levels must meet or exceed requirements set by federal laws.

5.2 Nutritional Advising

Provided by a third-party vendor, the objective of this benefit is to encourage a culture of illness prevention through a balanced, healthy diet.

5.3 Wellness Program

Wellness programs can be provided through suppliers who specialize in this field. Programs may include:

- Online health risk assessments
- Individual evaluations
- Identifying the 10 main health issues in the employee's lifestyle
- Identifying an employee's health risk groups
- Strategies to improve the employee's lifestyle habits and how to manage risk groups
- Preventive health plans
- Communication and promotion of the wellness strategies to employees
- Health fairs
- Psychological advising
- Mobile spas
- Leisure activities
- Strategic wellness plans

5.4 Gym Memberships

There are companies who grant their employees a gym perk, which ranges from on-site gyms to offering discounts on short- or long-term gym memberships. In certain cases, these memberships are also given as an incentive for an outstanding performance.

5.5 Pet Medical Insurance

Offering medical insurance for cats and dogs is an increasingly strong trend in Mexico. Additionally, a legal liability policy is included for possible damages a pet may cause. Cremation expenses may be included as well.

5.6 Access to Volunteering Programs

The benefit of these programs is based on the costs for carrying out social assistance activities. They are covered by the employers, and include transport and meals for example. Furthermore, the time invested in such activities is remunerated the same way as ordinary job activities.

5.7 Home Office

According to the 2017-2018 Labor Market Guide by Hays Mexico, 46% of employers answered that they provide schedule flexibility, and 34% give alternatives for home office or tele-working for specific positions/areas. Employees must totally and absolutely fulfill the activities they perform at the office. Companies must invest in technological resources and training for employees that have this benefit.

6. CONSULTING COSTS

Our consulting costs are based on client needs and are adjusted by the level of participation we may have in directing benefit programs.

7. INTERTEC

Contact Fernando Garciadiego for your Mexican employee benefits needs.



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8. GLOSSARY

The following are common words and abbreviations used when discussing benefits in Mexico.

Acronym	Meaning
LFT	Federal Labor Law (Ley Federal del Trabajo)
IMSS	Mexican Institute for Social Security (Instituto Mexicano del Seguro Social)
INFONAVIT	National Institute for the Workers' Housing Fund (Instituto del Fondo Nacional de la Vivienda para los Trabajadores)
SAR	Retirement Savings System (Sistema de Ahorro para el Retiro)
AFORE	Retirement Fund Manager (Administradora de Fondos para el Retiro)
UMAM	Monthly Unit for Measurement and Updating (Unidad de Medida y Actualización Mensual)
CNSF	National Commission for Insurance and Bonds (Comisión Nacional de Seguros y Fianzas)
CONSAR	National Commission for Retirement Savings (Comisión Nacional del Sistema de Ahorro para el Retiro)
SHCP	Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público)
SBC	Quotation Salary (Salario Base de Cotización)
TMMW	Times the Monthly Minimum Wage



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