



***How to Develop an Effective Human
Resources Strategy
for Your Industrial Operations in Mexico***

Getting the Right People on Your Team



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In most cases, you will be able to save up to 80% on your current labor costs for technicians, as well as direct and indirect personnel, yet many manufacturing companies wonder if they will be able to find skilled technicians and engineers in Mexico.

First, it is important to determine the type of job functions required for your operations.

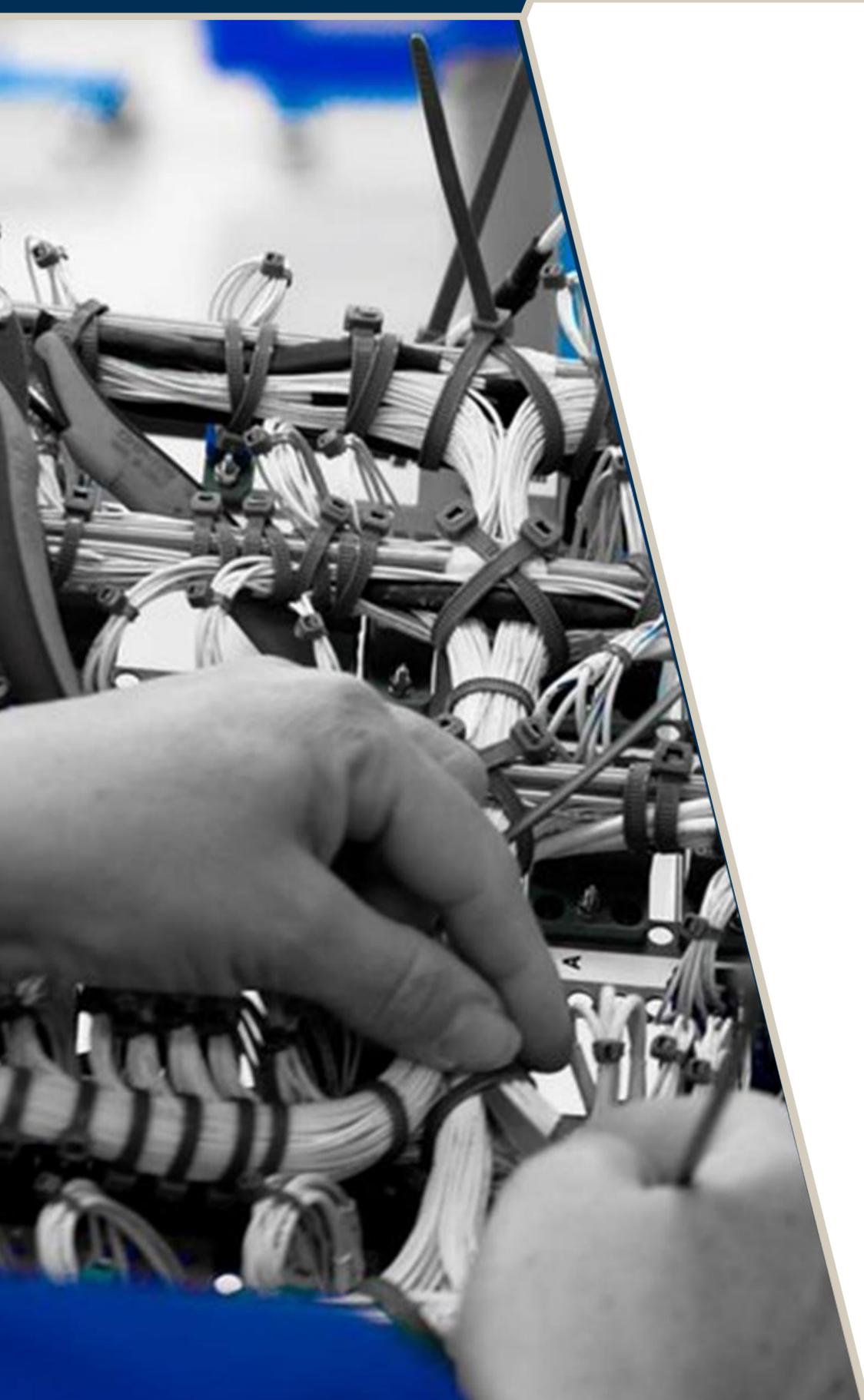
It is a good idea to visit different types of industrial operations in order to see firsthand the types of jobs being performed in various regions, you might be surprised at what you find!



In Mexico you can find these types of skilled labor in the following industries:

Manufacturing: CNC Machining, High Precision Welding, Wire Harnessing (Automotive and Aerospace), Plastic and Aluminum Injection , Molding , Painting , Sheet Metal , Composites, Tooling, and Assembly.

Engineering & design: Catia V5, Solid Works, Unigraphics, Embedded Software Development, Software Programming, and CAM.



Mexico's manufacturing industry has been growing for more than 40 years.

This means that there are now four generations of workers who are certified and accustomed to working in high productivity environments and in accordance with strict quality standards.

Most Mexican manufacturing companies are able to obtain their ISO 9000, NADCAP, or AS900 certifications on the first try.

In regard to productivity and efficiency, there are companies that have reached 100% efficiency levels in just three months after starting operations.

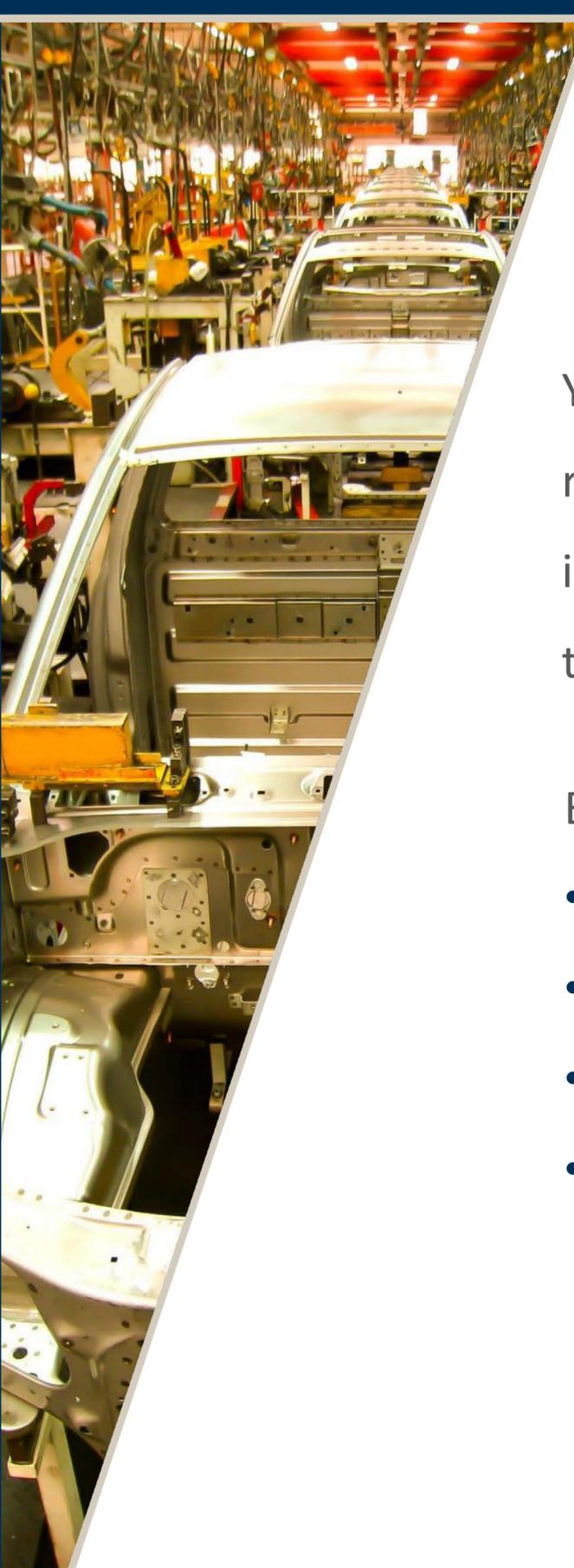


The following methodologies are commonly employed in manufacturing operations:

- VAVE (Value Analysis and Value Engineering)
- GD&T (Geometric Dimensioning and Tolerancing)
- CPK (Process Capability)
- Lean Six Sigma
- One Piece Flow: Established to produce to Takt time: eliminates “batching” (“pull” methodology)
- KANBAN – JIT Product line replenishment by Water Spider only enough to meet Takt time
- SMED – Single Minute Exchange of Dies
- Visual Shop Floor: Production center performance, hourly tracking
- Andon: Simple visible indication of product line status that sets the tone that production in the engine and we are the “pit crew”
- Kaizen-commitment to show weekly quality or productivity improvements
- 5’S

3. Technical and Professional Training

Because the manufacturing industry has been developing in Mexico for more than 40 years, universities and technical schools offer a wide variety of technical and professional courses and degree programs.



You can obtain government incentives in the form of scholarships for workers who require training to work in high technology processes in the aerospace and automotive industries. This training usually last eight weeks, four of which take place at the technological training center, and 4 weeks on your company's production floor.

Below is a list of some of the custom training programs they offer:

- CNC Machining
- Welding
- Plastic Injection Molding
- Structure Assembly

4. Direct and Indirect Costs of Labor in Mexico

Skilled and unskilled labor costs will vary from one region to another, especially when you calculate the fully loaded cost per employee (salaries + fringe + market benefits) to be able to retain employees and to maintain a stable working environment.



Market benefits might include a savings fund, transportation, cafeteria, or medical insurance, among others, based on what the regional market offers beyond fringe benefits to each type of worker.

The fully-loaded cost ranges you will find in the following generic positions are:

- Unskilled direct labor costs range between US\$1.95 to US\$3.45 per clock hour
- Skilled direct labor costs range from US\$2.79 to US\$7.16 per clock hour
- Technicians labor costs range from US\$4.50 to US\$7.90 per clock hour
- Engineers labor costs range from US\$7.83 to US\$19 per clock hour
- Managers labor costs range from US\$22 to US\$53 per clock hour

Indirect costs include training, certifications, overhead, uniforms, tournaments, paid holidays, turnover and absenteeism, dealing with unions, among others. We suggest you obtain a Cost Model Simulation to see how much it will cost you to operate in Mexico.

5. Recruitment and Hiring Process

Once you have a clear organizational chart with job descriptions, required skills and certifications, salaries and benefits, as well as contracts, all compliant with the Mexican labor law, you can begin the human resources recruitment and hiring process.



Here are the suggested steps to ensure you can attract the most cost-effective talent for your operations in Mexico:

1. Publish open positions (newspaper, internet, database)
2. Screen for possible candidates
3. Interview candidates

Consider that candidates will undergo:

- psychological tests (intelligence, personality, behavior)
- a medical examination
- job reference background and
- a final interview

6. Payroll Management

When setting up your payroll management system, it is important to consider how you will measure and report incidents that impact your employees' paycheck.



It is best to have an electronic system to track your employees' time and attendance to eliminate human errors. We also suggest that you program deductions to be taken automatically, whether these are for punctuality or absenteeism, or deductions for social security, housing fund, and income tax.

It is important to be aware that, according to tax reform, your payroll stubs must be stamped by the government using a certified service provider before you can issue them.

You will not need cash to pay your workers, but a bank account synchronized with your workers individual payroll accounts where you will pay them when it is due. Usually, blue collar workers get paid on a weekly basis, whereas white collar workers get paid twice per month.

7. Maintaining a Good Work Environment

You will need a good level of leadership, management, motivation, and communication in order to attract and retain great talent to your manufacturing operations in Mexico. It is recommended that you develop a great Human Resources strategy and then get the right talent to implement it.



Here is a list of elements to consider in maintaining a good work environment.

Note: Companies that have succeed in Mexico have all of the following:

- A remuneration process that is clear and on time
- Employee retention programs (developed and implemented)
- An orientation program for new employees
- An organizational environment monitoring carried out at least once per year
- Communication, social and sporting events to integrate teams and families

A man in a dark suit and tie stands on a high-rise building, looking out over a city skyline at night. The scene is overlaid with a large, semi-transparent image of a man in a light-colored suit, creating a layered effect. The city lights are visible in the background, and the overall color palette is dominated by blues and oranges.

Mexico's Industrial Shelter Program

*Designed to make it easy for
your company to
start operations in Mexico*

By operating under American Industries® Shelter Program, you obtain the following benefits:

- Trouble-free access to operating in Mexico
- The ability to focus 100% on your manufacturing operation
- Lower start-up cost than a stand-alone operation
- Quick start-up (in just 9 weeks)
- Minimal liability in fiscal, customs, and human resources matters
- Minimum supervision required from headquarters for administrative functions
- Full compliance with Mexican laws and regulations
- Indirect purchasing: Maximize savings by taking advantage of our economies of scale
- Ongoing consulting services (human resources, fiscal and customs) included
- Robust IT platform
- ISO 9001-2015 certified

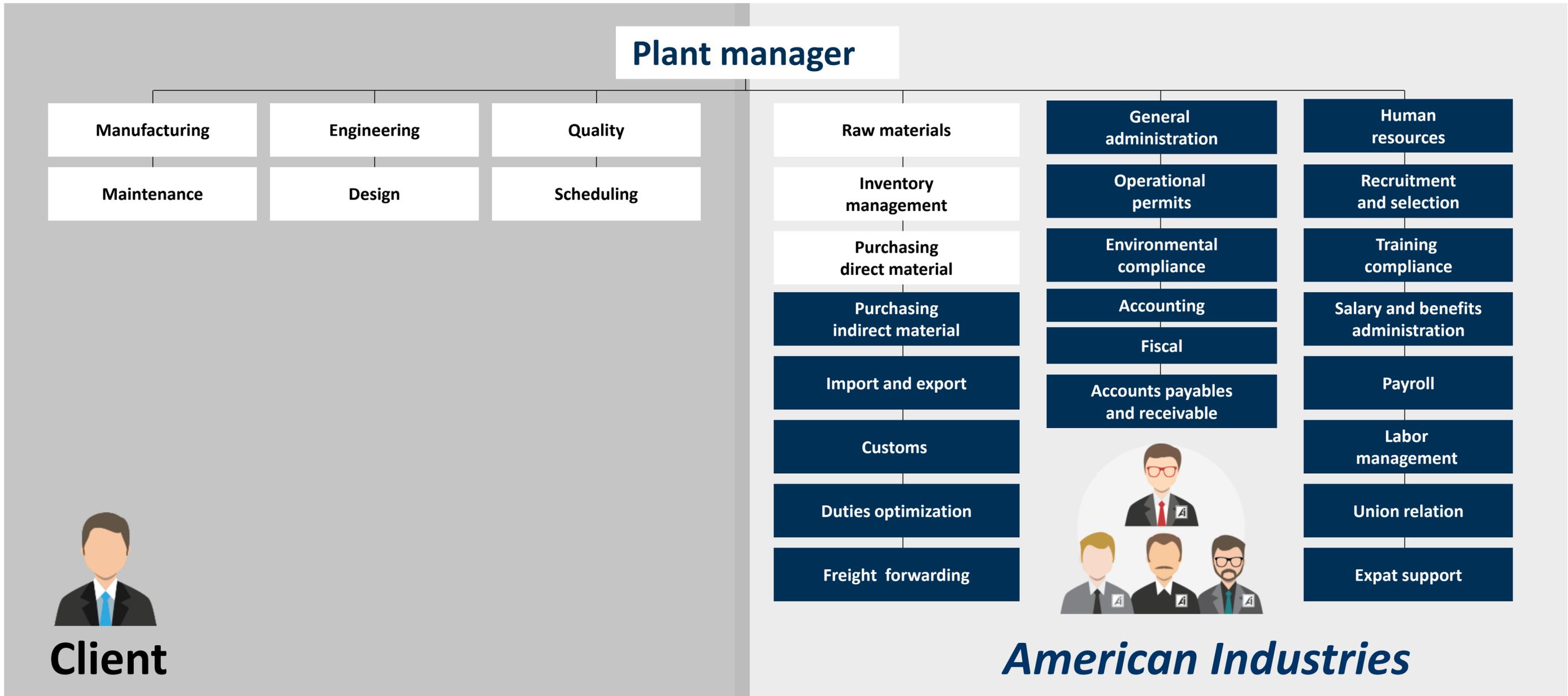
These are some of the legalities you will not have to worry about with the Shelter Program:

- Optimization and management of duties and taxes on raw materials, machinery, and equipment
- Customs clearance (northbound, southbound, and in-bond)
- Other Government Agencies permits, audits and certifications (FCC, FDA, USDA, HAZMAT)
- Freight forwarding
(Consolidating and warehousing)
- Mexican and US Customs Broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filling of legal documentation
- Labeling control system for equipment
- Proper reconciliation to save on duties
- Obtaining assistance to get C-TPAT certification



Mexico's free trade agreements, in combination with the many benefits of our Shelter Program, can allow you to lower your customers' total costs.

The Shelter Program will help you by-pass all of these legalities so you can import and export your materials from your Mexican manufacturing plant.



In the white boxes of this diagram you can find the description of functions that you will be in charge in your new operation in Mexico, to meet your customers' needs.

The blue boxes contain all the duties that a full Shelter Program covers.

One of the many advantages of this program, is that you will start operating in Mexico entirely focused on sales, customer service, and production. You will not have to worry about or handle any legal or administrative risks and liabilities during your start-up stage.



- ✓ You will receive a custom evaluation and roadmap to start operations in the regions with the most potential for your business to grow in Mexico (like Chihuahua or Queretaro).
- ✓ You will receive a custom cost model simulation where you will be able to compare the total cost of **your operation** per hour in each region.

- ✓ At this point, the Shelter provider will prepare custom business meeting agendas in the selected regions for your operations in Mexico.
- ✓ The agenda will include site visits to the Shelter Company's real estate facilities and others that are available and suitable for your operations.
- ✓ Additionally, the Shelter Company will provide a presentation outlining the supporting services included in the Shelter program and you will have the opportunity to meet with government officials, industrial associations and clusters.

- ✓ At this stage you will get all permits for your operations.
- ✓ You will get your human resources hired and organized (including payroll management).
- ✓ You will install your machinery and equipment.
- ✓ You will get all your customs & logistics set up.
- ✓ You will get all paperwork and administrative tasks done so that you can start serving your clients from your new location.

You have already seen different types of costs that will have an impact on the total operating cost for your distribution or manufacturing; however, putting all the pieces together requires more than just adding up numbers.

There might be a lot of hidden costs based on “small picture” assumptions, such as going to a certain location with the wrong type of skillset, suppliers, or infrastructure to support your operations or differences in employees' benefits depending on the region.

We suggest you request a **Complimentary Cost Model Simulation** where you can compare the total cost of doing business in key industrial regions in Mexico.

This cost model tailored to your project in Mexico, will include the direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs and Logistics
- Administrative, legal, and other indirect costs

Request yours at start@americanindustriesgroup.com



American Industries® Group

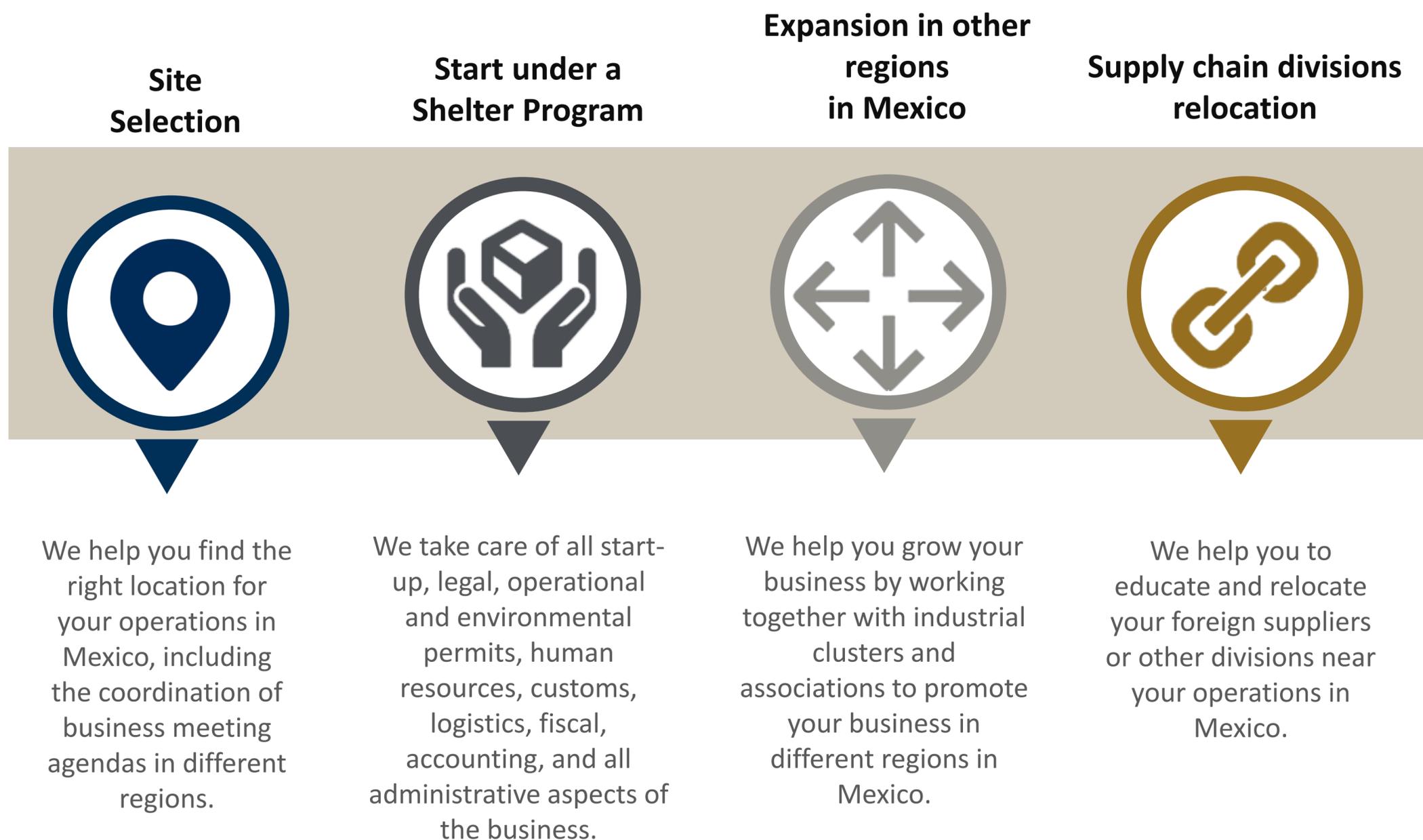
American Industries® Group is a private Mexican company founded in 1976 which, through its Shelter Administrative Services and Industrial Real Estate, has contributed to the successful establishment of the manufacturing operations of more than 200 international companies in Mexico.

Value Proposition Why a Shelter?



We team up with the arriving company as their day-to-day administrative solution provider, including human resources, accounting, fiscal, customs, and logistics services, so that our client can focus on key aspects of their business such as quality, productivity and on-time delivery.

We accompany you throughout the entire process, handling all your industrial business needs in Mexico:



Aerospace

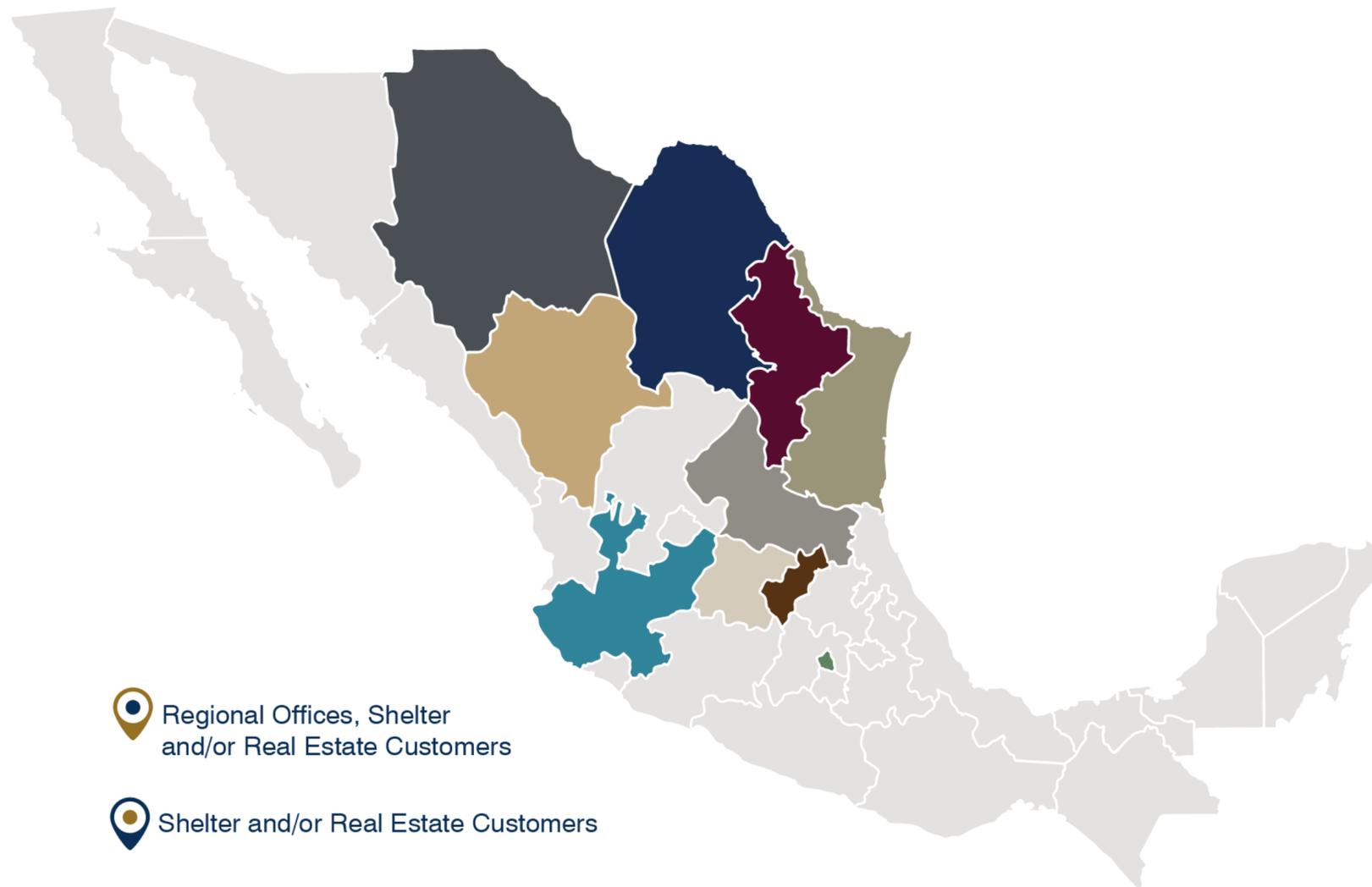


Automotive



Others





United States
 • El Paso
 • Laredo

Tamaulipas
 • Matamoros
 • Reynosa

Jalisco
 • Guadalajara

Chihuahua
 • Juarez
 • Chihuahua
 • Delicias
 • Camargo

Queretaro
 • Queretaro

San Luis Potosi
 • San Luis Potosi

Guanajuato
 • Silao

Mexico City
 • Mexico City

Nuevo Leon
 • Monterrey

Coahuila
 • Saltillo
 • Torreon

Durango
 • Gomez Palacio

Regional Offices, Shelter and/or Real Estate Customers

Shelter and/or Real Estate Customers

Shelter and start-up services

- Over 16,000 headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

- Over 13 million sq. ft. of developed and leased industrial space
- All our buildings are classified into Class A category
- 15 industrial parks

You can count on American Industries®' expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.



American Industries[®]

Site Selection - Shelter Administrative Services - Industrial Real Estate

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Partner for Success[®]