

How to Develop an

Effective Human Resources Strategy

for Your Industrial Operations in Mexico



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1. Current Industrial Skills in Mexico

In most cases, you can save up to 80% on your current labor costs for technicians and direct and indirect labor. Yet, many manufacturing companies wonder if they can find skilled technicians and engineers in Mexico.

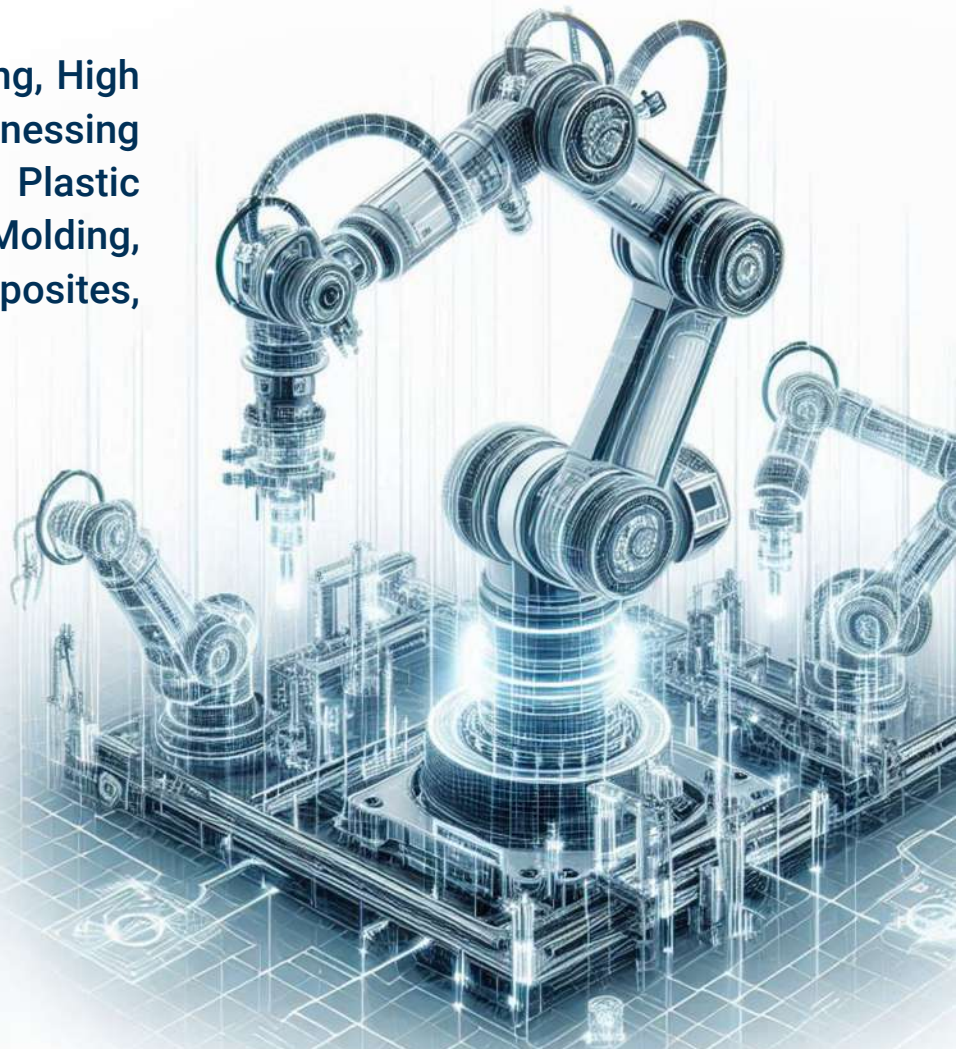
First, it is important to determine the type of job functions required for your operations.

It is a good idea to visit different industrial operations to observe the jobs performed in various regions. You might be surprised at what you find!

In Mexico, you can find the following types of skilled labor in manufacturing and engineering and design:

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.



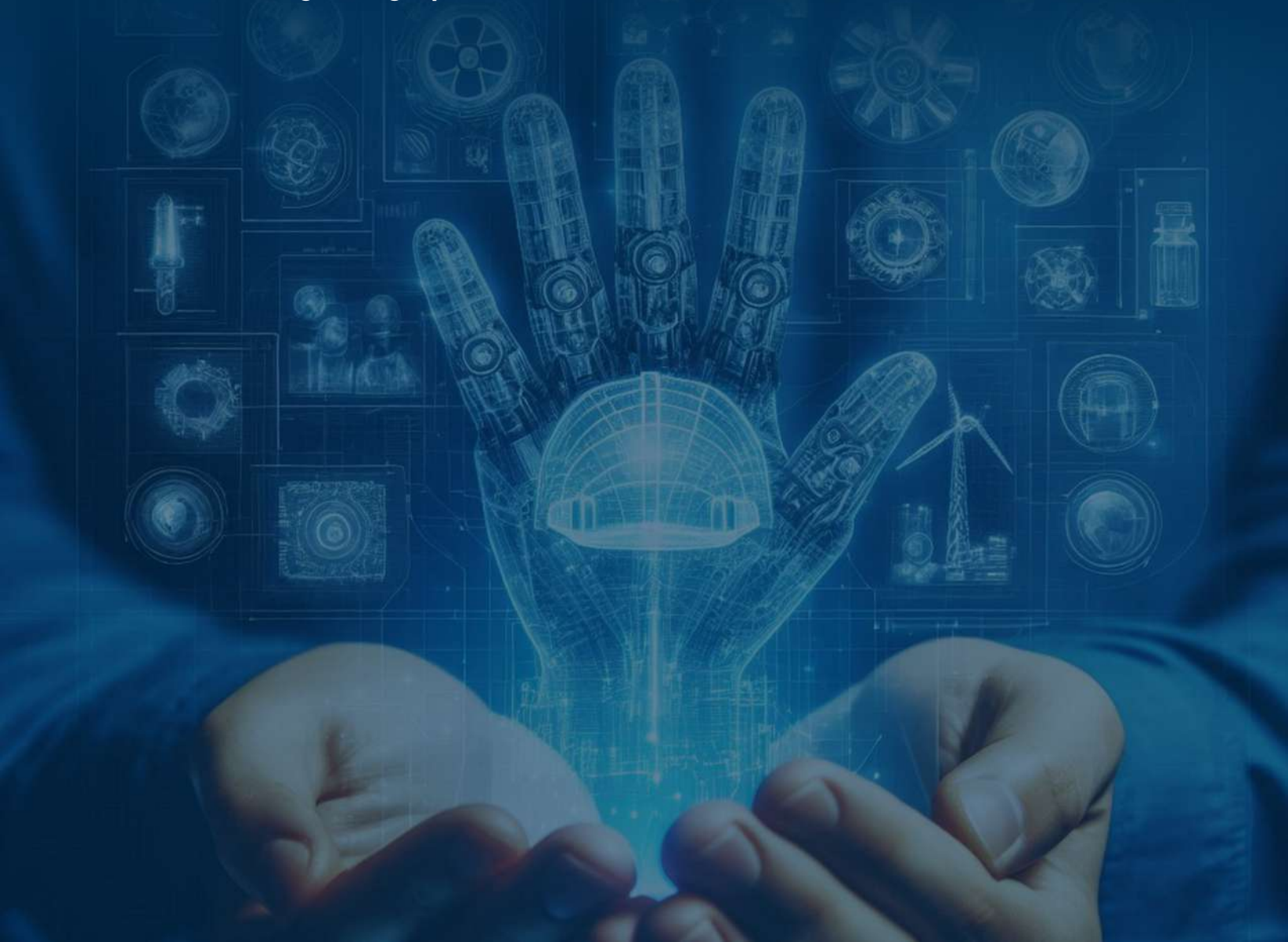
2. Productivity and Quality in Mexico

Mexico's manufacturing industry has been developing for more than 45 years.

This means that there are now four generations of workers accustomed to working in high-productivity environments and following strict quality standards.

Most Mexican manufacturing companies obtain their ISO 9001, NADCAP, or AS900 certifications on the first try.

In addition, Mexico's manufacturing industry is highly productive and efficient, with some companies achieving 100% efficiency within just three months of beginning operations.



2. Productivity and Quality in Mexico

The following methodologies are commonly employed in Mexican manufacturing operations:

VAVE (Value Analysis and Value Engineering)

- GD&T (Geometric Dimensioning and Tolerancing)
- CPK (Process Capability)
- Lean Six Sigma
- FMEA (Failure Mode and Effects Analysis Software)
- 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
- SCMH – Supply Chain Management Handbook
- Visual Shop Floor – Production center performance, hourly tracking
- Kaizen commitment to weekly quality or productivity improvements
- 5 S'



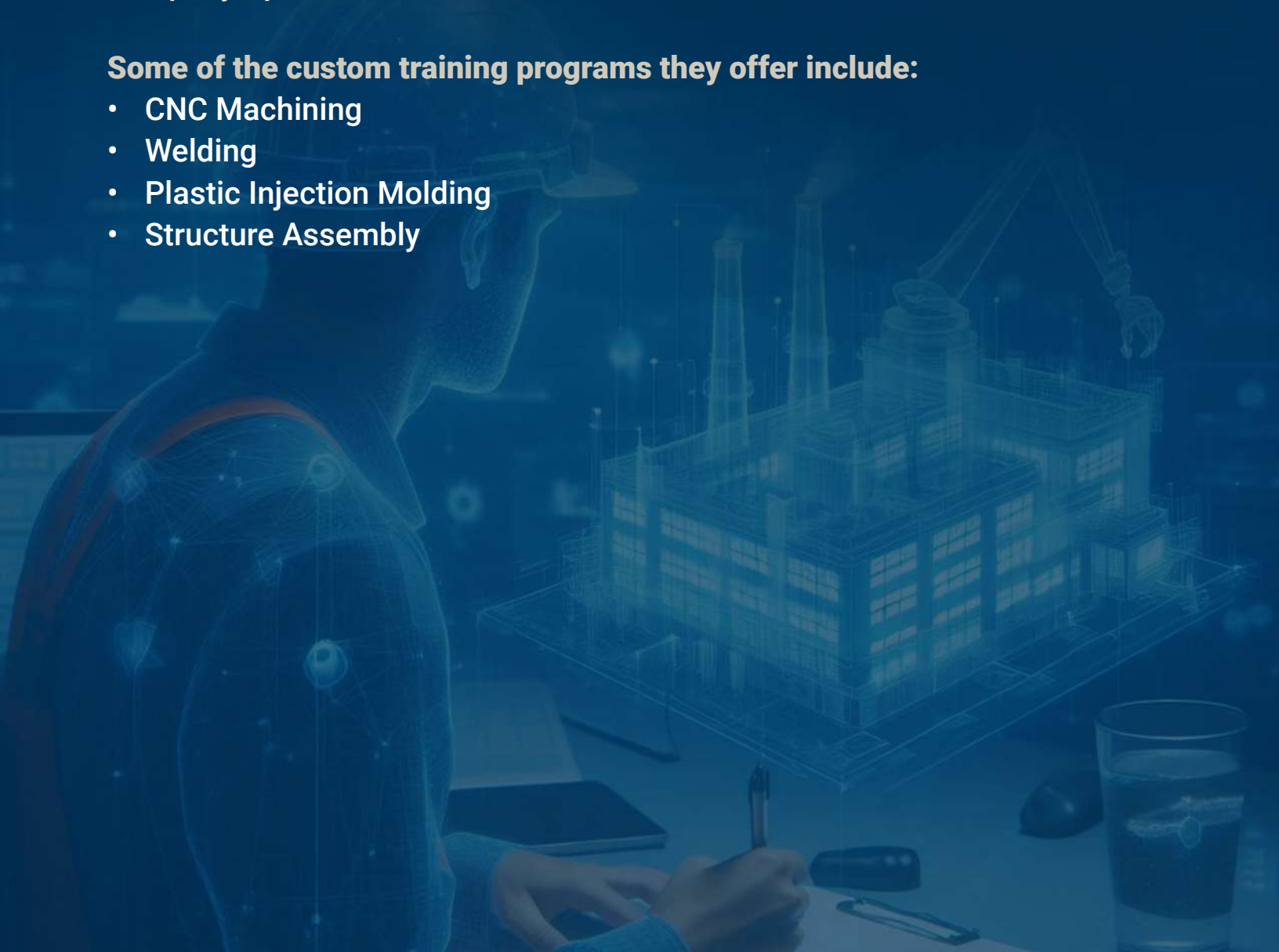
3. Technical and Professional Training

Because the manufacturing industry has been developing in Mexico for more than 45 years, universities and technical schools offer a wide variety of technical and professional courses and degree programs adapted to meet the sector's needs.

You can obtain government incentives in the form of scholarships for workers who require training in high-technology processes in the aerospace and automotive industries. The training usually lasts eight weeks, with four taking place at the technological training center, and four weeks on your company's production floor.

Some of the custom training programs they offer include:

- 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 region to region, especially when considering the fully loaded cost per employee (salaries + mandatory and additional benefits) to retain employees and maintain a stable working environment.



4. Direct and Indirect Costs of Labor in Mexico

Additional benefits include a savings fund, transportation, cafeteria, or medical insurance, among others, beyond the standard benefits offered to each type of worker.

The following is a list of the fully-loaded estimated cost per clock hour for these positions:

Unskilled direct labor costs range from	US \$4.53	to	US \$7.4
Skilled direct labor costs range from	US \$5.14	to	US \$10.23
Technicians labor costs range from	US \$8.26	to	US \$13.06
Engineers labor costs range from	US \$13.41	to	US \$23.07
Managers labor costs range from	US \$25.75	to	US \$45.17

****Note: Wages are indicative of the current market rates for the positions listed as of January 2024 in these cities: Chihuahua, Cd. Juárez, Monterrey, Guadalajara, Guanajuato and Querétaro.**

4. Direct and Indirect Costs of Labor in Mexico

Indirect costs include training, certifications, overhead, uniforms, tournaments, paid holidays, turnover and absenteeism, and negotiations with unions, among others. We recommend obtaining a Cost Model Simulation to estimate operating costs in Mexico for your operation.v



5. Recruitment and Hiring Process

Once you have created an organizational chart and corresponding job descriptions, including required skills, certifications, salaries, benefits, and contracts in compliance with Mexican labor law, you can initiate the recruitment and hiring process.

Below are the suggested steps to attract cost-effective talent for your operations in Mexico:

1. Actively engage in networking with educational institutions and industrial associations.
2. Post open positions (social media, internet, database).
3. Identify candidates.
4. Interview candidates. The process will include:
 - psychological tests (intelligence, personality, behavior)
 - a medical examination
 - reference check
 - 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' paychecks.

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

It is important to be aware that, according to tax law, 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, direct workers get paid on a weekly basis, whereas administrative workers get paid twice per month.



7. Maintaining a Positive Work Environment

You will need good leadership, management, motivation, and communication to attract and retain top talent at your manufacturing operations in Mexico. We recommend that you first develop a solid Human Resources strategy and then find the right talent to implement it.

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

***Note: Companies that have succeeded in Mexico have all of the following in place:**

- A remuneration process that is clear and timely
- Employee retention programs (developed and implemented)
- Onboarding program for new employees
- Engagement programs
- An organizational environment survey that is carried out at least once per year
- Good communication, as well as social and sporting events to include teams and families





Mexico's Industrial Shelter Administrative Services

Shelter Administrative Services



The easiest way to start up and operate as a foreign company in Mexico. Under *American Industries's* Shelter and Administrative Services, your company focuses on its core business: manufacturing/distribution while we manage the administrative and legal functions required for your business to succeed in Mexico.

Client:

- Overseeing direct operations
- Full control over production and quality
- Ownership of raw materials, machinery, and equipment
- Purchasing of direct materials

American Industries:

- Legal entity and employer of record in Mexico
- Compliance with all Mexican legal requirements
- Expert administrative support for your operation
- Solid IT platform (administrative software systems and communications data link)
- Immediate access to IMMEX and IVA/IEPS certifications
- Maintains relationships with local business partners (unions, suppliers, and government entities, among others)

1

**Request your business
case analysis**

2

**Take a business tour
in Mexico**

3

Start up

You will want to begin estimating the specific cost for your operation in Mexico, which requires more than just adding up numbers.

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

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

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

Request yours today at
start@americanindustriessgroup.com



Let's Talk about *American Industries*

American Industries is a private Mexican company established in 1976 that has helped over 250 international companies successfully start up and grow their manufacturing and distribution operations in Mexico through its Shelter Program, Administrative Services and Industrial Real Estate solutions.

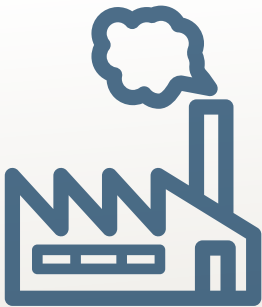


Our highlights:



Shelter and Administrative Services

- Over 80 clients from more than 15 countries
- Over 20,000 employees headcount from our clients
- Over 35,000 trouble-free import /export transactions per year



Industrial Real Estate Solutions

- Over 140 buildings built and leased (20 M sq. ft. / 1.8 M m²)
- New class A buildings
- Presence in more than 15 Industrial Parks
- More than 160 tenants

Our Presence

★ Regional Offices and Shelter/Real Estate Customers

📍 Shelter and/or Real Estate Customers

🚢 Seaports

🚚 Land access



Chihuahua

- ★ Juarez
- 📍 Delicias
- ★ Chihuahua
- 📍 Camargo

Coahuila

- 📍 Saltillo
- 📍 Torreon

Durango

- 📍 Gomez Palacio

Guanajuato

- ★ Silao

Jalisco

- ★ Guadalajara

Nuevo Leon

- ★ Monterrey

Queretaro

- ★ Queretaro

Tamaulipas

- 📍 Matamoros
- 📍 Reynosa

United States

- ★ El Paso
- ★ Laredo

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.

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