



HUMAN CAPITAL

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At a glance

- Turnover monthly average of 8.4%
- Low unemployment rate of 3.4%
- More than 8,500 engineering and construction graduates per school year
- Most productive labor force in Mexico
- Labor is readily available, with internationally competitive levels of efficiency
- High English speaking proficiency rate
- 19 years without a strike

Federal Labor Law

The Federal Labor Law (the “Law”) regulates non-governmental employment relationships in Mexico. It applies to all individuals rendering subordinated services anywhere in the Mexican Republic (both Mexican and foreign nationals), and Mexican nationals in Mexico hired to perform personal services abroad. The Law establishes statutory provisions that must be followed by employers as of the commencing of a labor relationship.

The Law provides two general types of employment relationships: individual/salary and collective/hourly.

1. An individual/salary employment relationship is created upon a person being hired to render services in a subordinated position, whether on a temporary, task specific, season, initial training or permanent basis.
2. Collective/hourly employment relationships are established when the employees are organized representing the employees interests before the employer, through a union.

“The federal labor law applies to all individuals rendering subordinated services anywhere in Mexico”.



Unions

The law establishes that 20 or more employees may form a labor union to bargain collectively with the employer regarding the terms of their employment. Such labor unions are formed in many cases, and collective labor contracts are executed in the case of industrial enterprises. Contracts usually amplify or add to the rights enjoyed by the workers under the Federal Labor Law or the Social Security Law and are subject to renegotiation at least every two years. Labor unions are particularly strong in the petroleum, mining, education, entertainment, textile, restaurant, telephone, rubber, sugar, automotive and newspaper industries.

Labor unions in Mexico have traditionally used the threat of a strike during the negotiation process to exert pressure on management, but negotiations are usually concluded before reaching the stage where the employees actually strike. The Federal Ministry of Labor is empowered to mediate and rule on labor disputes and to impose sanctions on unions or employers for labor law infringements. Additionally, and in an effort to end a long tradition of irregularities in some unions, the Mexican government has taken steps to avoid abuses of power and to limit the unions' activities to their intended purpose of employee protection and welfare. Nuevo León is a State with great labor peace since there has not been a strike for more than twenty years.

The main labor union confederations in Nuevo León are the following:

1. Revolutionary Confederation of Workers and Peasants (Confederación Revolucionaria de Obreros y Campesinos "CROC")
2. National Federation of Independent Unions (Federación Nacional de Sindicatos Independientes "FNSI")
3. Mexican Workers Confederation (Confederación de Trabajadores de México "CTM")



“Nuevo León: More than 19 years without a strike, achieving high levels of labor peace”.

Availability of labor

There are more than 152 Higher Education Institutions in Nuevo León, from where ever year graduate more than 8,500 engineering students.

Nuevo León has a rapid population growth. The most recent figure of the National Institute of Statistics and Geography (INEGI) indicates that from 2010 to 2015 more than 97,000 migrants arrived in Nuevo Leon, which is 50% more than the 65,000 that arrived from 2005 to 2010.

Productivity

Nuevo León is the most productive State in México for the manufacturing industry. Productivity is a result of how much a worker can produce with one hour of his work.

| State* | Produced USD/hour** |
|---------------------|------------------------|
| Nuevo León | \$ 14.26 |
| Querétaro | \$ 12.11 |
| Coahuila | \$ 11.63 |
| Aguascalientes | \$ 10.32 |
| Baja California Sur | \$ 10.16 |
| Jalisco | \$ 9.05 |
| Chihuahua | \$ 8.68 |
| Tamaulipas | \$ 8.42 |
| San Luis Potosí | \$ 8.11 |
| Durango | \$ 7.11 |
| Guanajuato | \$ 6.95 |
| Puebla | \$ 5.53 |
| Estado de México | \$ 4.95 |

*Note: Mexico City and Campeche also figure in the table. However, they were excluded from the benchmark due to their different industrial vocations. Campeche as oil and gas and Mexico City as financial/services.

**Note: Amounts may vary due to exchange rate. (Used rate: 1 USD=19 MXN)

Source: México, ¿cómo vamos? with INEGI data.



Nuevo León,
the most productive state in Mexico

Salaries in Nuevo León

The following shows the average salaries per month in USD by municipality. Mandatory and non-mandatory benefits are not included.

By municipality

| | | Average Nuevo León | Apodaca | Monterrey | Guadalupe | San Nicolás / Escobedo | San Pedro / Santa Catarina / García |
|--------|----------------------------|-----------------------|----------|-----------|-----------|---------------------------|---|
| Hourly | Operators | \$ 481 | \$ 399 | \$ 412 | \$ 420 | \$ 494 | \$ 438 |
| | Specialized Technicians | \$ 696 | \$ 700 | \$ 721 | \$ 771 | \$ 687 | \$ 690 |
| | Leaders | \$ 693 | \$ 726 | \$ 678 | \$ 719 | \$ 752 | \$ 919 |
| Salary | Analysts | \$ 982 | \$ 1,242 | \$ 675 | \$ 1,167 | \$ 804 | \$ 1,104 |
| | Coordinators / Supervisors | \$ 1,383 | \$ 1,667 | \$ 1,079 | \$ 1,656 | \$ 1,398 | \$ 1,531 |
| | Managers | \$ 2,997 | \$ 3,419 | \$ 1,918 | \$ 3,597 | \$ 2,615 | \$ 2,654 |
| | Directors | \$ 5,266 | \$ 4,524 | \$ 3,293 | \$ 5,741 | \$ 4,304 | \$ 4,741 |





Nuevo León
has a highly specialized workforce

Perks and benefits

For the purpose of this topic, 92 companies were interviewed in Nuevo León. Perks and benefits offered by them are specified in the following table.

If more than 50% of the companies provide the benefit, it is marked as “Yes”. If less than 50% of the companies provide the benefit, it is marked as “No”.

| | Hourly employees | Salary employees |
|-------------------------|------------------|------------------|
| Christmas bonus | Above law | Above law |
| Vacations bonus | Above law | Above law |
| Vacations days | By law | Above law |
| Saving fund | 7% | 8% |
| Food coupons | 12% | 11% |
| Punctuality Bonus | 9% | 10% |
| Productivity bonus | 11% | No |
| Assistance bonus | 9% | No |
| Cafeteria services | No (59%) | No (67%) |
| Transportation | Yes (55%) | No (73%) |
| Uniforms | Yes | Yes |
| Life insurance | No | No |
| Major medical insurance | No | Yes |
| Gasoline coupons | No | No |
| School bonus | Yes | No |

Hourly employees

Transportation is one of the most valuable benefits for Hourly employees. Most of Extra Large & Large companies in the State provide this benefit. The majority of the Extra Large & Large plants in Nuevo León provide partly subsidized cafeteria services (average price per dish is \$50 MXN where the company subsidize around 60% of that price). The most common bonuses offered are punctuality, attendance & productivity. Most of the companies offer at least one of these benefits, especially to Hourly employees.

Salary employees

Benefits offered for Salary employees are commonly above law. Average Christmas bonus is 24 days and vacation bonus is 36%. Up to 9 vacation days during the first year is offered and 8% for savings fund. Attendance & Punctuality Bonuses are not so commonly offered for Salary employees.

Mexican Institute of Social Security

As part of legislation for the protection of employees, the Mexican Institute of Social Security (IMSS) was created by the Government to cater for the welfare of workers in areas such as medical care retirement and insurance.

The IMSS receives quotas from all the business companies and institutions through contributions which are paid by employees, employers and the government. Contribution rates vary in relation to the amount of salaries paid as well as labor risks. These contributions represent approximately 28% of the basic salary, from which 23% is paid by the employer and 5% by the employee.

By law, employers must register all their employees in the social security system, without exception. The social security benefits cover: accidents, medical care, maternity, pensions, unemployment compensation after a certain age, life insurance, retirement fund and day-care.



Minimum wage

The Law mandates the payment of a minimum wage payable to all employees, without deductions or withholding. The minimum wage per day in Mexico is \$102.68 MXN (approx. \$5.40 USD), excluding the border, where it is \$176.72 MXN (approx. \$9.30 USD).

Maximum work shift

The maximum daily and weekly hours an employee may be required to work without overtime pay, is as follows:

1. Day Shift (within 6 A.M. through 8 P.M.): forty-eight hours per week;
2. Night Shift (within 8 P.M. through 6 A.M.): forty-two hours per week; and
3. Mixed Shift (not more than 3 ½ hours per day of the Night shift): forty-five hours per week.

The maximum shift hours may be adjusted to accommodate a 5 days' work week or any equivalent arrangement.

Overtime

Overtime is common in Mexico. Companies pay for work performed in excess of the maximum hours for a shift (overtime), as follows:

1. For the first nine hours of overtime per week: 200% of a base wage; and
2. Hours in excess of the above: 300% of a base wage.



Weekly rest day

An employee is entitled to at least one full day of rest per week with pay, Sunday being the legally preferred day of rest. Work performed on a Sunday is paid at the normal daily wage plus a twenty-five percent (25%) premium of the normal daily wage, in addition to any applicable overtime payment. If employees render services during their mandatory weekly rest day, they are paid at a rate of at least two times the employee's normal daily wage, plus their already generated rest day.

Foreign workers

If any foreign national performs professional activities on Mexican territory, he must obtain a working visa, issued by the Mexican Immigration Authorities. Depending on the foreigner's activities, it will be necessary to carry out a specific procedure with the Immigration Authorities.

The Mexican Labor Law establishes that in all companies 90% of employees should be Mexican citizens. In consequence only 10% of foreigners may be employed in Mexican companies. This rule is not applicable to foreign nationals employed as Directors, Administrators and General Managers in Mexico.



“Labor is readily available, with internationally competitive levels of efficiency”

We thank the collaboration of Grupo Prodensa and Sánchez Devanny