

Whitepaper: What Industries Are Strong Fits for The Maquiladora?

The Maquiladora provide a safe work environment for the workers while also producing complex products at a cost-effective rate. We explore the best industries in which to utilize Maquiladora labor.

Introduction

The Maquiladora program was established in 1942 and solved the problem of rising unemployment in Mexico while at the same time giving U.S. companies a source of lower cost, motivated and effective labor. This gives Mexico an edge in manufacturing that many companies in the U.S. do not have.

The Maquiladora program was structured to allow foreign companies, primarily the U.S, to set up a manufacturing operation utilizing tariff agreements between the United States and Mexico. Manufacturing agreements typically consist of a manufacturing plant based in Mexico, usually close to the Mexico-U.S. border, and run by a U.S. company.

For example, the home base of the manufacturer, located in the United States, sends the supplies and equipment used to produce products to the Maquiladora in Mexico. The products are made at the factory and shipped back to the United States (under the trade agreements with no additional tax, when applicable) and distributed to the client.

Benefits for the Mexican and American Economies

Maquiladoras greatly benefit Mexico's economy by boosting employment and providing jobs to thousands of people. These manufacturing sites give employees a safe working environment and a sustainable income to provide for their families. In turn, the US is the beneficiary of having these operations close to home as opposed to overseas. Companies who utilize the Maquiladora trust that they will produce the highest quality products with the raw materials provided to them.

It is important to note that Maquiladoras do not take away jobs from the working people in America; in the United States, thousands of manufacturing jobs go unfulfilled because companies find it difficult to obtain the labor force necessary to sustain productivity.

Executive Summary

- Source of lower cost, motivated and effective labor.
- Provide thousands of jobs, benefitting the Mexican and U.S. economies
- Maquiladora have a diverse skill set and can produce goods in a wide range of industries.

What Benefit Doe the Maquiladora Provide for U.S. Manufacturing? Trade agreements between the U.S. and Mexico, and Mexico's reliance on maquiladoras have led to stable and consistent costs of labor, which are major benefitting factors for companies looking to outsource some or all their manufacturing needs.

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What Industries Benefit Most from The Maquiladora?

To answer this question, understand the type of product manufactured and if it requires high-level manual labor. For example, if your product requires minimal effort and a machine can do most of the work, then it may make more sense to manufacture in the United States. The money saved by reducing minimal labor costs can be lost in cross-border transactions of transportation and customs.

If your product relies heavily on manual labor, and you require skilled and unskilled workers for your production, your business can benefit from Maquiladoras. Also, you gain the benefits of proximity, time zone, ease of access, lead times and customization of product and scheduling.

Some Industries That Are a Strong Fit For Maquiladoras

Textile – The textile industry benefits from Maquiladoras: most textile products encompass a high demand, low automation model. Many products in this category have significant labor. NovaLink can skillfully and quickly manufacture the product in large volumes or small custom driven quantities. Some of our textile-focused clients include Franklin Products and Patagonia.

Electronics – Manufacturing electronics requires a skilled, trainable workforce. This industry contains products with a high labor content requiring many manual processes. Many large operations like Phillips, Sony, Pioneer Speakers, and the General Electric Company all trust Maquiladoras to manufacture their products.

Aviation/Automotive – These two industries deal in large volumes in an ever-increasing competitive market. Therefore, the cost advantages coupled with a productive and trainable labor pool make the Maquiladora and ideal model for the aviation and automotive industry.

Furniture – Maquiladoras are an ideal fit for the furniture industry when considering logistics and lead time. This is precisely why many furniture companies have moved their manufacturing operations south instead of east.

Conclusion

Maquiladoras are capable of manufacturing high-quality products across a wide variety of industries. With more than 2,900 employees and 25 years of experience, we can produce almost any product and are a world-class example of how Maquiladoras produce high-quality manufactured goods.

About NovaLink

In its 30th year of operation, NovaLink is a U.S.-based near shore manufacturing solution with two manufacturing facilities in Mexico and one distribution center in the U.S. As a cost-effective outsourcing extension to a variety of companies, both in size and industry, NovaLink has the expertise to manage the labor force and day-to-day production and distribution for its clients. For more information, please visit <http://www.novalinkmx.com/>