

CUSTOMER PROFILE — PETER PAN

Balancing wage rates with productivity

Maurice Perelman founded *Peter Pan de México* in 1947. The company has prospered because of Perelman's leadership and commitment to his 500 employees. Located in Naucalpan, Estado de México where annual operator turnover exceeds 100 percent, *Peter Pan* has a turnover of less than 2 percent. In fact, *Peter Pan* has a one-year waiting list of applicants. *Peter Pan's* wages are well above average, partly because of substantially higher productivity. This was one of the first firms in Mexico to introduce a modular manufacturing system utilizing the Kan-Ban system, which is a customer-driven production scheduler. The company is also heavily committed to training.

LABOUR

Most of Mexico's large- and medium-sized apparel plants are unionized. This includes plants with more than 100 workers. Labour relations tend to be good, with job security and job creation being generally higher priorities than wages and benefits.

Wage costs depend on the minimum wage zone and the number of competing plants in the area where a plant is located. In central Mexico, the minimum wage is N \$12.05 pesos per day, and the professional sewing operator minimum wage is N \$15.55 pesos. The work week is 48 hours spread over five or six days. The seventh day is also paid. There is usually a bonus ranging from 50 to 100 percent of the minimum wage. Mexico has a system of mandatory benefits, which add 40 to 50 percent to the compensation costs. In this example, minimum weekly compensation for a sewing operator was roughly C \$125.00 per week, or about \$2.60 per hour at the exchange rate prevailing in November, 1994.

Low wages do not necessarily result in lower costs. Productivity levels are well below Canadian and American levels primarily because of less-sophisticated equipment, underfinancing and less-efficient manufacturing processes. Annual employee turnover in many apparel plants is close to 100 percent, and supervision costs can be high. Some of the more progressive firms pay higher wages, and have implemented modern management techniques. As a result they are typically more competitive, especially in quality-sensitive markets.

Trained apparel-manufacturing engineers are very scarce in Mexico. There are, however, a large number of industrial engineering graduates available for on-the-job training. Foreign-owned plants often fill technical positions with their own staff. This is becoming more difficult, particularly for U.S. and Canadian companies, because of the shortage of experienced personnel with the necessary language skills and an interest in working in a different culture. Asian companies do not face this constraint.

DESIGN CAPABILITIES

The Mexican apparel sector is not known for its design: as a result, Mexican fashion sales have suffered. Traditionally, the great majority of apparel producers have not been concerned about fashion or design elements. Others have found it simpler to copy others rather than develop their own design capabilities.

Mexico has a tradition of couturier dressmakers who cater to the very wealthy. There is a growing number of promising fashion designers who produce custom goods and small lots for upscale retailers. However, they are generally not well-supported by the major manufacturers and there is little sharing of expertise.