

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	MEXICO/CID - Isthmus & DR
▪ TC Name:	Supporting Automotive Industry's workers' transition towards Electromobility in Mexico
▪ TC Number:	ME-T1516
▪ Team Leader/Members:	PAVON, FERNANDO YITZACK (SCL/LMK) Team Leader; RUCCI, GRACIANA (SCL/LMK) Alternate Team Leader; ECKARDT, MARIO (SCL/LMK); JOSE HERNANDEZ RAMIREZ (SCL/LMK); LIBERTAD SICCHA (SCL/LMK); GONZALEZ HERRERA, BEATRIZ MARIA (SCL/LMK); GASTON FERRIN (SCL/LMK); DE DOBRZYNSKI, ESTEBAN (LEG/SGO); ANDRADE BAENA, GINA LAURA (SCL/GDI); CARROLLO, BRIGITTE (KIC/ICD); LOPEZ SOLANA, FATIMA ALEJANDRA (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	24 Apr 2023
▪ Beneficiary:	Mexico
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$500,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	SCL/LMK - Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK - Labor Markets
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Gender equality

II. Objective and Justification

- 2.1 The main objective of this Technical Cooperation (TC) is to support the transition of the automotive industry's workforce in Mexico as the industry pivots towards electromobility. The specific objective is to create a strategy to mitigate the transition's impact on the automotive workforce and deploy the tools for an efficient upskilling & reskilling of the automotive labor force to enable the industry's human capital to be the pillar of the industry's transformation towards electromobility.
- 2.2 Mexico has been among the leading nations in the automotive sector for almost three decades, as it is currently the fourth exporter and the seventh largest producer of automobiles in the world (OICA, 2021). This industry represents 3.0% of GDP and 16.0% of the country's manufacturing GDP (INEGI, 2021). In addition, last year the national automotive and auto parts industry received around US\$5.4 billion in foreign direct investment (FDI) (Statista, 2022). The automotive and auto parts industry in Mexico employs approximately 824,000 people (INEGI, 2018) and has followed an uninterrupted upward trend since the establishment of free trade with North America in 1994. The automotive sector is in a disruptive moment: the transition towards electromobility. According to the Global EV Outlook, in the best scenario, it is estimated that by 2030 approximately 30% of new vehicles sold in the world will be electric. In addition, the global market value of this new industry is expected to reach \$190 billion by that year (IEA, 2022a). For Mexico to remain competitive as an

automotive product, it is necessary to translate this automotive ecosystem based on carbon emission vehicles into electromobility. The Global Economic Promotion Office of the Mexican Ministry of Foreign Affairs prepared the "Diagnosis and Recommendations for the Transition of the Automotive Industry in Mexico" (SRE, 2023). Challenges facing the automotive industry workforce in Mexico. There is a need for more specialized personnel to meet the electromobility industry demand, which implies generating: i) a greater educational offer focused on STEMs; 2) technical careers with specialized knowledge, and 3) updating curricula based on industry demand (SRE, 2023). Creating a strategy to reorient the profiles of current personnel and mitigate the transition's impact on the workforce will be fundamental to retain current workers. Studies show that —although exact quantitative forecasts are not available— the jobs created in the value chain in labor demand in the electromobility industry in Europe will be many more than those lost in automotive manufacturing internal combustion, even in the worst scenarios (The European Association of Electrical Contractors, 2019). Nonetheless, although a great need for personnel is projected in this pivot to electromobility, there is still uncertainty the percentage of current industry employees who can transition to the new labor/industry structure without the support of official training programs to face the transition. The automotive sector in Mexico is making progress in terms of gender employment, yet there are still challenges ahead. According to numbers from Instituto Mexicano del Seguro Social (IMSS) for February 2023, there were a total of 1,105,501 positions registered in activities related to the automotive industry. Out of the positions registered for these activities, 40.99% were women, and 59.01% were men. These proportions are wider for separate activities, such as the fabrication and assembly of automobiles, buses, trucks, and motorcycles for which only 20.06% of the registered positions were for women, meanwhile, there is higher participation (56.29%) in the fabrication and/or assembly of electrical systems for automobiles. The average daily wage for registered positions for men in these industries is MX\$702.88, meanwhile, for women, it is MX\$467.53, representing a wage gap of around MX\$235.35, more than one daily minimum wage.

III. Description of Activities and Outputs

- 3.1 **Component I: Identifying skills needs & generating the tools for the transition of automotive workers towards electromobility.** This component will generate tools to support the transition of the Mexican automotive industry towards electromobility and identify transitions into green jobs. It will finance: i) a study to understand the impact that the transition towards electromobility has on its workforce. It will then ii) create a roadmap for the workforce's transition identifying skills requirements and iii) profiling current industry talent to identify current skills and guide them in their transition.
- 3.2 **Component II: Inclusive transformation strategy toward electromobility.** This component will finance the development of a strategy to improve job opportunities and integration for women and vulnerable groups in the industry. It will develop an inclusive transformation strategy to address gender, diversity & people with disabilities within the automotive industry in Mexico and set forth recommendations to support its implementation.
- 3.3 **Component III: Generation of strategic knowledge on an industry's pivot towards electromobility & inclusive growth.** This component will finance the development of knowledge on innovative experiences in deploying the TC developed tools supporting the transition of an industry's workforce as the industry embarks in a transformation process, specifically how it pivots towards electromobility. The output of this component will draw on best practices and lessons learned on the implementation of the strategies to support workforce transitions as industries evolve and can be replicated in other industries in LAC.
- 3.4 **Contingencies.** Contingencies and other costs.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Identifying skills needs & generating the tools for the transition of automotive workers towards electromobility	US\$360,000.00	US\$0,00	US\$360,000.00
Component II: Inclusive transformation strategy toward electromobility	US\$75,000.00	US\$0,00	US\$75,000.00
Component III: Generation of strategic knowledge on an industry's pivot towards electromobility & inclusive growth	US\$55,000.00	US\$0,00	US\$55,000.00
Contingencies	US\$10,000.00	US\$0,00	US\$10,000.00
Total	US\$500,000.00	US\$0,00	US\$500,000.00

V. Executing Agency and Execution Structure

- 5.1 The TC will be executed by the Bank. The Executing Agency will be the Inter-American Development Bank (IDB), in accordance with the guidelines and requirements established in the Technical Cooperation Policy (GN-2470-2) and in the guidelines established in OP- 619-4, through the Division of Labor Markets (SCL/LMK).
- 5.2 This procedure is justified by the Bank's experience in developing the operational and technical instruments proposed for this type of operation, by knowledge of the scope of work of this operational support and by the orientation of the TC towards skills development. Furthermore, all activities will be coordinated via the Automotive Cluster in Mexico.

Likewise, and based on previous experiences, it is estimated that the execution of the TC by the Bank can contribute to the exchange of information at the regional level, promoting knowledge and implementation of best practices by the countries and industries that participate in the deployment of skills development tools.

VI. Project Risks and Issues

- 6.1 The following have been identified as potential risks that may arise in the project's execution: i) The application of USMCA energy chapter is being controverted by Mexico and the US in the agreement's controversy resolution panels, which could affect the transition towards green mobility by foreign companies in Mexico and could also impose tariffs on the Mexican energy sector. ii) IT Automation alongside green transition in the automotive sector may pose a threat to the number of people employed by this sector, which could adversely affect current workforce composition.

VII. Environmental and Social Classification

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).