



# Safeguarding your talent supply

October 2024

[kpmg.com](https://www.kpmg.com)

# Safeguarding your talent supply

US supply chains are using strategic shoring to tap into a wider talent pool. But there are still challenges to securing the skills to compete in today's working environment.

Research from KPMG, based on a survey of 250 senior US executives with strategic shoring experience and expertise, unpacks the growing trend of strategic shoring in the Americas – the shift in geographic footprint of a company's supply chain to encompass more locations that are closer to the US, such as Canada, Mexico, Brazil and Peru.

In these volatile times, more businesses are turning to strategic shoring and making proximity a supply chain priority as they seek to fortify operations and build resilience.

**“Strategic shoring” is defined as changing the geographic footprint of a global supply chain to locations in the Americas, including Mexico, Central and South America, Canada and even within the US itself, to be closer to and therefore better serve the US.**

**Before shifting a supply chain point to a new region, companies need to check how affordable it is to win the attention of top talent in that area through competitive wages and attractive working conditions.**

Our survey findings indicate that improved access to skills and talent ranks as the third-most important driver of supply chain executives moving their supply chains to the Americas, behind greater agility/resilience and faster time to market.

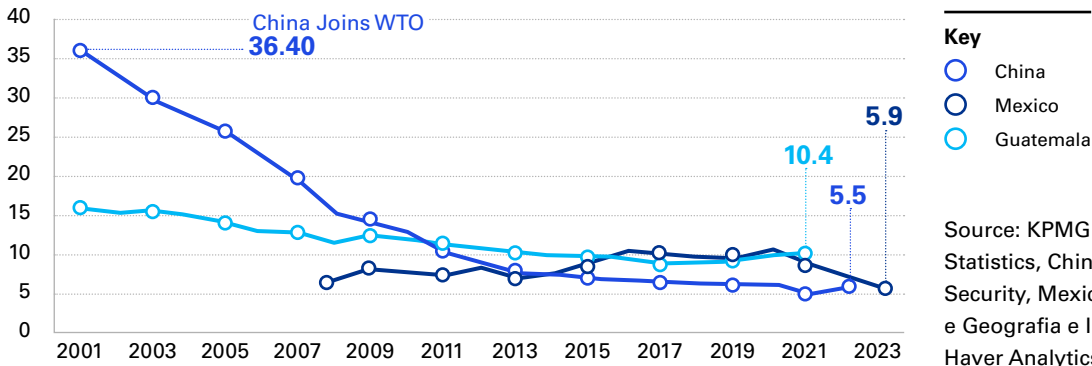
And, among those with higher-performing supply chains (“leader” businesses), skills and talent ranks second, just behind faster time to market.

### Doing the math on labor costs

Before shifting a supply chain point to a new region, companies should check how affordable it is to win the attention of top talent in that area through competitive wages and attractive working conditions. Although labor in the Americas is not as cheap as that in traditional offshoring hubs, figures show that Latin America’s wage parity with Asia, for instance, is strengthening.

For example, when China joined the World Trade Organization (WTO) in 2001, wages for manufacturing workers were over 36 times cheaper than in the US. But by 2022 that had dropped to just over five times cheaper. Meanwhile, Mexico’s manufacturing wages have remained largely unchanged relative to the US over the same period, at 7.2 times cheaper in 2022.

**Latin America’s wage parity is strengthening**  
Average annual wages in manufacturing relative to the US



Source: KPMG Economics, US Bureau of Labor Statistics, China Ministry of Labor and Social Security, Mexico Instituto Nacional de Estadística e Geografía e Informática, Banco de Guatemala, Haver Analytics.

“Currently, the great majority of countries in Latin America, with the exception of Argentina, have very tight labor markets,” explains Meagan Schoenberger, Senior Economist, KPMG US. “They have low unemployment, fairly high participation and high wage growth. Mexico and Guatemala have a larger wage advantage, which is attractive.”

## Securing talent sources

Although strategic shoring affords organizations proximity to new talent pools, there is no guarantee that those pools will contain the desired skills. For Martin VanTrieste, President and CEO of pharmaceutical company Civica Rx, this is one of the key questions business leaders should ask themselves when assessing where to locate new nodes of their supply chain.

“You need to know whether local talent will be capable of producing what you’re producing,” he says. “Other than cost and transportation, that’s by far the most critical factor businesses should consider before making any decisions around strategic shoring.”

Indeed, a “lack of local skills” is cited by nearly one-quarter (24%) of businesses as one of the greatest challenges when bringing a supply chain to the region from outside the Americas.

While the working population of the Americas could offer companies an effective way to fill supply chain gaps, to avoid hitting roadblocks in the implementation stages of strategic shoring, talent availability should be a key consideration in site-selection decisions. The issue is particularly acute for sectors or industries that rely on specialized skills that may not be readily available in domestic markets. “How do we find, say, high-tech manufacturing labor, that kind of highly specialized engineer that is needed, particularly for the chip plants?” asks Schoenberger.



**A “lack of local skills” is cited by nearly one-quarter of businesses as one of the greatest challenges when bringing a supply chain to the region from outside the Americas.**

---

***Mexico and Guatemala have a larger wage advantage, which is attractive.***

**Meagan Schoenberger**  
Senior Economist, KPMG US.

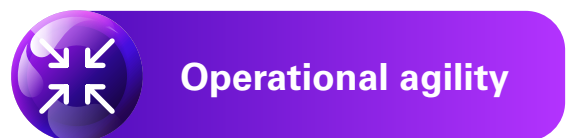
Strategic shoring can help reduce carbon footprints associated with longer-distance trade routes.

The scale of the challenge — and the consequent need for greater investment — is laid bare by the industry’s numbers. By 2029, 221,000 mining engineers — about half of the US industry’s current workforce — are due to retire. Basic math suggests that, just to safeguard existing skill resources, another 221,000 engineers will likely need to join the industry over the next five years. However, in the US in 2020, there were only 327 degrees awarded in this area. This represents an almost 40-percent drop in the graduation rate since 2016.<sup>1</sup>

“The people who have these degrees are going to see their wages go way up because they are highly in demand,” says Schoenberger. “But it’s not just the wages and the benefits. It’s also that, now, we need to figure out where the rest of the labor force is going to come from. This will require education programs and, potentially, retraining people. All of those initiatives cost either public or private dollars.”

### Cultivating sustainability skills

Strategic shoring can help reduce carbon footprints associated with longer-distance trade routes. Yet survey respondents indicate that sustainability goals are the most challenging to achieve via these efforts.



<sup>1</sup> <https://www.csis.org/analysis/united-states-needs-more-mining-engineers-solve-its-critical-mineral-challenges#:~:text=More%20than%20half%20the%20current,the%20United%20States%20since%202016>

According to Maura Hodge, Sustainability Reporting Leader, KPMG US, to ensure a just transition to a green economy, organizations need to have the right skills embedded into their supply chain teams.

“Some of these skills are in areas like renewable energy, sustainable manufacturing practices, waste management, environmental regulations, greenhouse gas calculations, as well as data management and analytics,” she explains.

More broadly, existing employees and new recruits need a base level of sustainability skills, whether strategic or operational, to integrate sustainable practices into supply chains successfully.

“There needs to be some humility and intellectual curiosity in the workforce to understand the trends [in renewable energy] and how to integrate them, but also an openness to new expertise and emerging technology, and an ability to bring all of those things together,” says Hodge. Also, by investing time and resources into making a positive impact on the environment and society, companies will likely attract greater interest from new talent that is enthusiastic about contributing to sustainability matters.

## Finding local knowhow

Strategic shoring in new supply chain nodes comes with its own complexities. Organizations need talent on the ground to navigate local cultural and business practices.

Sam Rosen, President of Ollin Plastics, a custom contract manufacturer of rotomolded plastics parts whose leadership team is all based in Mexico (the company’s headquarters is in Monterrey), says the business relies heavily on third-party advisors. “Even large organizations would struggle to find people with the right expertise and experience that could all be part of a core team,” he says. “There are differences between Mexico, Brazil and Colombia, for example. It’s about acknowledging that and then finding experts to help supplement the skills where you need it.”

---

***More broadly, existing employees and new recruits need a base level of sustainability skills, whether strategic or operational, to integrate sustainable practices into supply chains successfully.***

**Maura Hodge**  
Sustainability Reporting Leader, KPMG US

As restructuring issues inevitably arise, companies should lean on their peers for advice. “Businesses can look to organizations that have operating experience in the same environment for support,” suggests Ulrich Schmidt, Principal and National Leader of the KPMG Site Selection and Project Development Practice.

Although the scenarios being troubleshooted may have aspects unique to their own particular circumstances, conversations with peer companies that operate in the same environment can offer invaluable support.

One approach is to ensure a broad outreach to stakeholders from the beginning to workshop solutions to potential obstacles. “You might have some issues with labor or infrastructure, for example,” says Schmidt. “Ask yourself: Is there enough state, local government support to work through these issues? Not just in relation to the initial location but solving the problems along the way to make it a successful operation for the next 20 or 30 years?”

The businesses that build the most meaningful advantage over the competition are likely to be those that prepare for strategic shoring by targeting the in-region hotspots for their key talent gaps and building networks of local expertise to guide implementation strategies. Simply put, smart planning can bring an effective skills supply within easier reach, securing future talent for your business.

---

***As restructuring issues inevitably arise, companies should lean on their peers for advice.***

**Ulrich Schmidt**  
Principal and National Leader of the KPMG Site Selection and Project Development Practice



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

\*All professional services are provided by the registered and licensed KPMG member firms of KPMG International. KPMG U.S. does not provide legal services, and these services are provided only by KPMG member firms in Latin America that are permitted to do so by law.

\*\*All professional services are provided by the registered and licensed KPMG member firms of KPMG International. KPMG South America does not provide professional services to clients and does not participate in client engagements.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

MADE | MDE200503 | October 2024

## Contacts

### André Coutinho

Partner, Advisory

**KPMG Brazil and South America\*\***

---

### Ricardo Delfin

Head of Clients and Markets

**KPMG Mexico**

---

### Mary Rollman

Principal, KPMG US, Supply Chain Leader, Advisory Practice

---

### Héctor Díaz Santana

Partner, Tax & Legal

**KPMG Mexico**

---

### Marcus Vinicius

Partner, Tax

**KPMG Brazil and South America\*\***

---

### Doug Zuvich

Tax Partner, KPMG US, and Latin America Regional Managing Partner, Tax & Legal\*

**KPMG Americas**

**kpmg.com**



*The views and opinions expressed herein are those of the interviewees and do not necessarily represent the views and opinions of KPMG.*