

A CLEAR VISION AND FLEXIBILITY CAN HELP AUTO SUPPLIERS NAVIGATE THE TALENT GAP

Even as manufacturing activity slowed in September, auto suppliers and other manufacturers continued to face workforce challenges, whether in recruiting new employees or mitigating churn among those they've already hired. Now, with recession expectations and related economic headwinds, suppliers will need to continue to be nimble in how they address these workforce challenges and be ready to adjust their teams as activity in the sector ebbs and flows.

Compensation will continue to be a significant part of the workforce equation, even if inflation eases in the near future. In a 2022 survey from the Manufacturing Institute's Center for Manufacturing Research, 89.5% of respondents said they have increased compensation (which included wages, salaries and benefits) to remain competitive in attracting and retaining employees, "and many of them had done so several times in the past year or two, with intentions of still large raises this year as well."

Average manufacturing wages lag behind the average wage throughout the U.S. economy, according to [IndustryWeek](#). And the last few years have shown that the challenges in the manufacturing sector overall are often more acute for auto suppliers.

Suppliers that need to hire aggressively should ensure they have a clearly defined recruitment strategy that prioritizes finding the right talent for longer-term gain. Below we highlight some key areas of focus that can help to create more staying power among employees and also address the "revolving door" of workers coming and going after only a short amount of time—something plenty of companies in the auto sector have experienced in recent years.

A mission-driven brand

Whether on the factory floor or in white-collar positions, employees across various industries are leaning more heavily

toward working for organizations that have a mission they can get behind. That means cultivating an identity as a mission-driven organization—especially one focused on innovation—must be central to companies' efforts to address talent challenges.

Company culture is "becoming increasingly important to employees of all ages," as a [recent RSM report](#) on the talent gap puts it. "[S]enior executives are beginning to define corporate success in broader ways that now include more than just profitability and share price. And employees are taking notice. They're looking for companies whose values dovetail with their own, companies that 'walk the talk' about diversity, equity and inclusion and environmental, social and governance" issues.

For auto suppliers—depending on the original equipment manufacturer's they work with—honing a mission-driven brand might mean adopting and communicating to potential hires a clear vision on how they fit into the electric vehicle future, and how related technologies factor into their planning for the future. This type of perspective is especially crucial in industrial sectors that now find themselves competing with Big Tech, despite not historically having the glamour of the tech industry itself.

Having clearly defined values can also encourage organizations to pursue more proactive sourcing and recruiting approaches; managerial teams are looking for specific qualities, not just a high volume of employees to fill roles. All of this can set the course for recruiting with more intention, which can help boost retention down the line.

Mitigating churn

With how much the auto industry employment landscape has changed even in the last decade alone, it is more important than ever to identify clear career paths for employees, to help mitigate churn.

This may be more challenging for some assembly line roles, in which case offering a strong benefits package can also be an important retention tool. Insurance, paid sick leave, child care, workplace flexibility and tuition reimbursement are just some options industrial companies are exploring to hold on to employees.

In fact, 39.9% of respondents to the Center for Manufacturing Research survey rated the importance of nonsalary employee benefits to the attraction and retention of employees as "very important," and 42.8% rated them as "important." This would indicate that auto suppliers that want to remain competitive need to prioritize these nonsalary benefits as well.

Companies might also look for opportunities to outsource roles that already have high rates of turnover. Automating a specific line position, for instance, could allow for more consistent production from that role while also allowing the organization to focus more on creating professional development pipelines for workers in other positions.

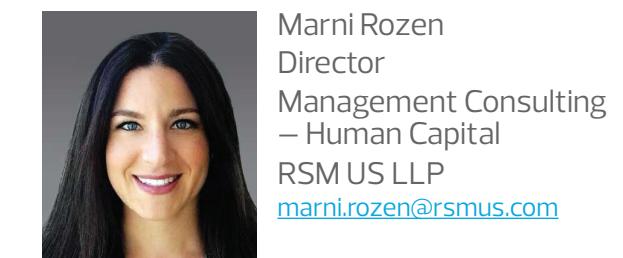
Creating an adaptable workforce

Contract employment and using managed services for some aspects of operation are, of course, nothing new for auto suppliers, which have increasingly globalized their supply chains over the last several decades. But given how production has fluctuated over the last few years and the expectations for a coming recession, companies would do well to explore how outsourcing and other alternatives to full-time positions—such as contractors and temporary staffing—could help them adapt as manufacturing activity ebbs and flows. In tandem with automation, these types of more flexible roles can enable suppliers to more easily scale up and down as needed.

On a global basis, auto suppliers should also consider if there are lower-cost geographies where it might make sense to move some aspects of their operations. This might not always be possible, given

that OEMs are generally moving closer to where their customers are located, and auto suppliers follow suit. But some companies are already looking to move operations from China to locales such as Vietnam, where the outlook may be less unpredictable.

Regardless of whether suppliers decide to explore new locations now, leadership teams need to keep a watchful eye on the global economic landscape and assess its workforce implications. The pandemic has demonstrated that operational needs can shift dramatically in a short amount of time; suppliers' flexibility to scale their workforce up or down as needed will be paramount for staying competitive.



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