

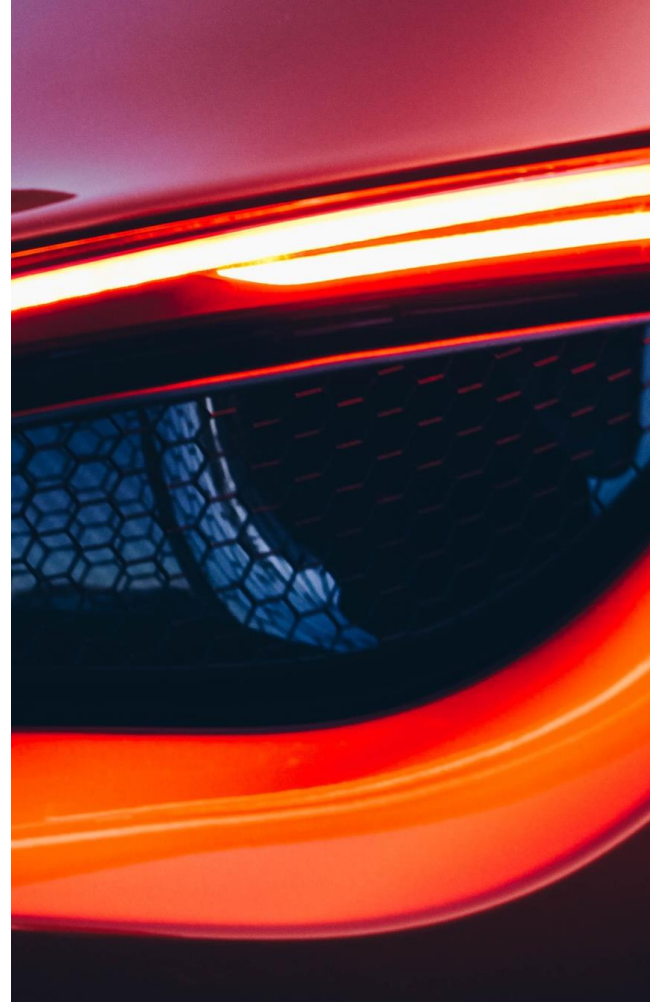
memma.
Original Equipment Suppliers

Deloitte.

MEMA OE Suppliers Automotive Supplier Barometer Q4 2023

Talent and HR

November 14, 2023



MEMA OE Supplier Barometer: Executive Summary

Supplier Barometer Index (SBI)

SBI Score = 39;

down from Q3 level of 49



The outlook for the fourth quarter deteriorated significantly from prior quarter to a reading of 39, or 11 points below a neutral level of 50 and down 10 points from Q3. Pessimism grew across firms of all sizes except those with revenue between \$500 mils. and \$1 bil. which maintained optimism, on net.



Issues related to the UAW strike are the greatest threat to the industry over the next 12 months. However, industry threats that have plagued suppliers for years extended their improvement sequentially.

The inability to fulfill customer volumes, and poor sales of vehicles in programs supplied, extended their improvements from the beginning of the year.



Despite the disruption to new orders, production and employment, most other leading indicators since the start of the UAW strike remain in positive territory from a year ago but continue to be accompanied by widespread increasing costs.



Gaps between responsibilities and skills grew from a year ago while the gap between current and expected company culture continued to close.

Executive responses indicate that 58% of suppliers have moderate to wide gaps between their current roles and responsibilities versus skills, essentially up 9 ppts. from last year.

However, only 39% of responses indicate that suppliers face moderate to wide gaps between current and expected company culture, down from 48% in 2022.

Suppliers are focused on developing talent internally through training or re-skilling to offset skills gaps and are willing to embrace the change necessary to attract and reward talent.

MEMA OE Supplier Barometer: Executive Summary



Hourly skilled trades and production positions remain the most critical positions to fill based on open requisitions across North America. The critical need for hourly production workers remains strong yet slipped from recent highs.

Voluntary turnover decreased substantially for both salaried and hourly personnel across North America, yet remain at elevated levels, with Canadian hourly personnel being the only exception.

Suppliers continue to increase wages and rely on contract employees to offset the shortage of production workers. Wage increases, signing and retention bonuses, and mentorship programs continue to be the most successful incentives.

Lack of qualified candidates remains the top hiring constraint, but conditions improved from last year. Competition from other industries and wage demands remain prevalent but also showed improvement.



Regional employment will grow faster than the regional share of corporate sales in just a few instances, including in Mexico along with salaried personnel in the Rest of Asia Pacific.



Suppliers learned through the pandemic that flexibility in both schedule and location were a necessity. Around three quarters of suppliers are planning to retain or have formally adopted their flexible schedule and remote work policies.



Suppliers have reviewed pay and benefits packages to attract engineers and are also focused on university partnerships, referrals and recruiters bring in new engineers.



Key themes for career path and succession planning prioritize developing employees internally through training and tuition reimbursement, while focusing on high performing candidates and promoting internally.



Cost pressures continue as the supply base is budgeting for a 4.5% and 3.4% increase to hourly and salary employee wages, respectively. Furthermore, half of suppliers believe the UAW strike will have at least a moderate impact on their wage offerings.



About half of suppliers feel they have at least moderately integrated DE&I into their talent strategy. Results indicate smaller suppliers have outperformed larger suppliers in this effort.

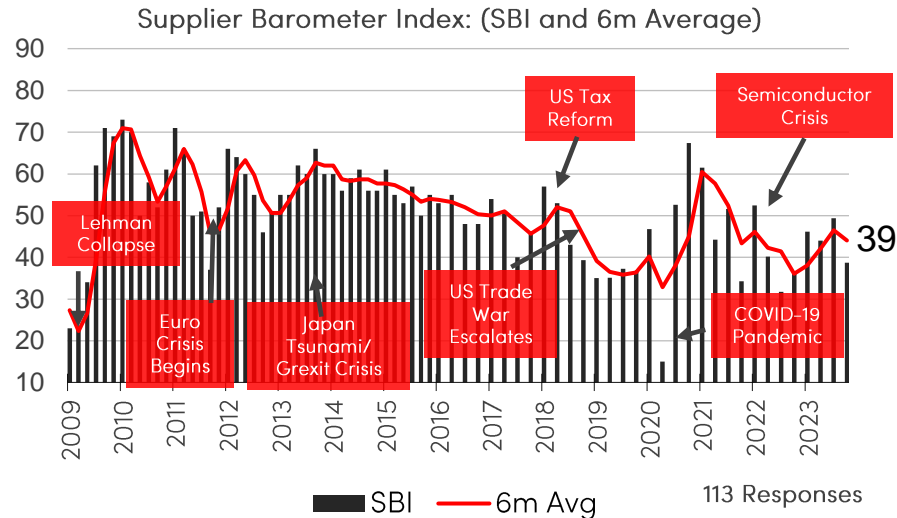
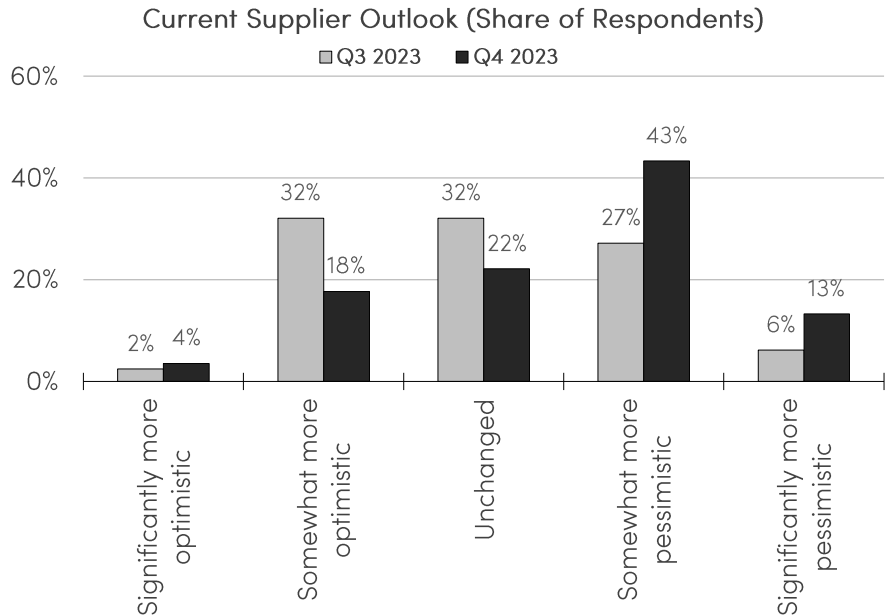


Supplier Outlook

Q4 2023 Automotive Supplier Barometer

MEMA OE Supplier Barometer: Q4 2023 Results

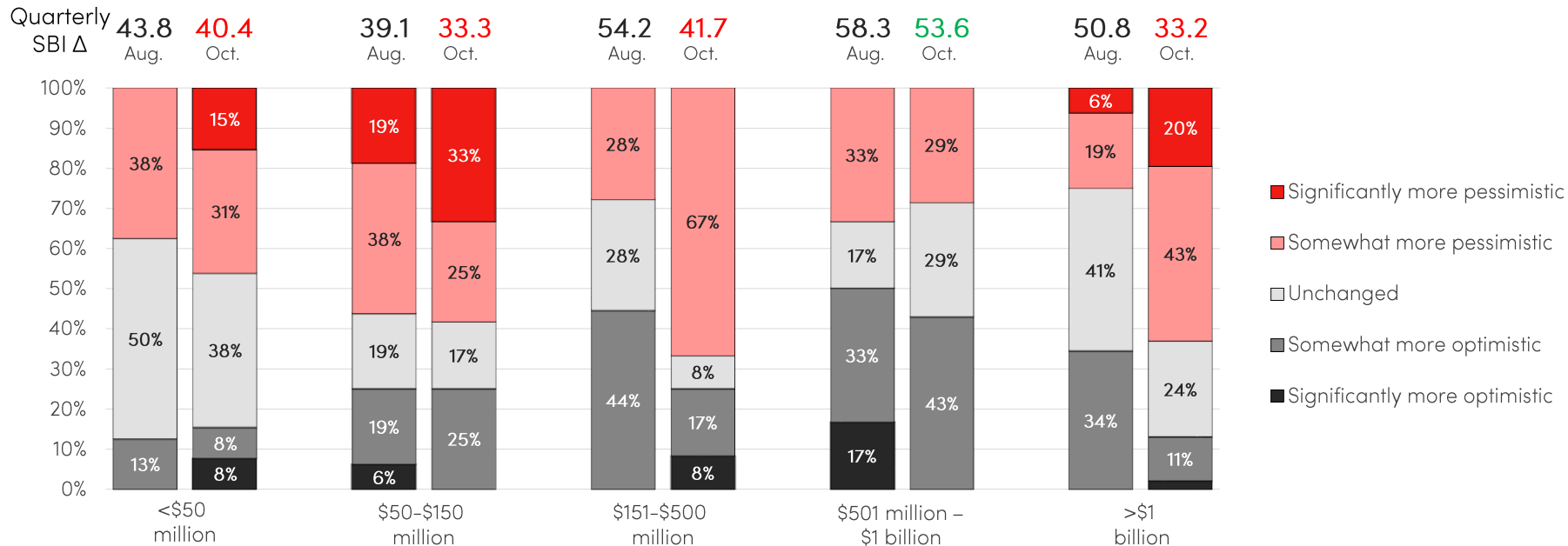
Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?



The outlook for the fourth quarter deteriorated 10 points from the third quarter to a level of 39, the seventh straight quarter of net pessimism.

MEMA OE Supplier Barometer: Q4 2023 Results by Revenue

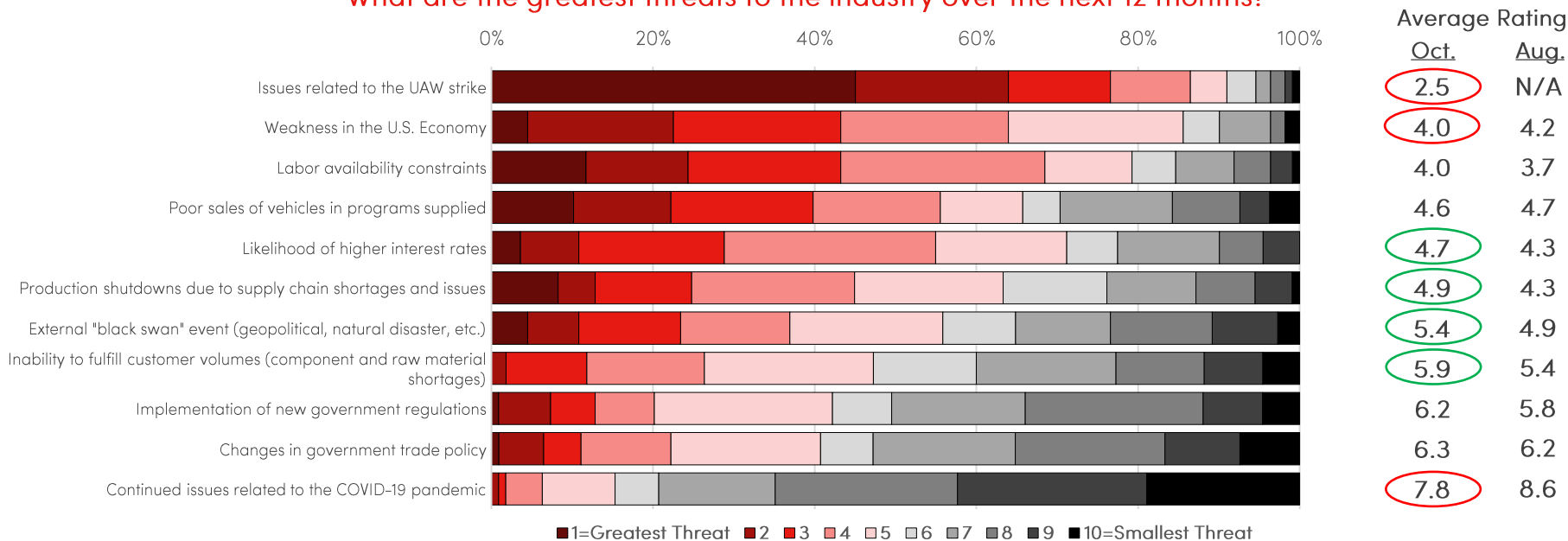
Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?



Pessimism grew across firms of all sizes except firms with revenue between \$500 mils. and \$1 bils. which maintained optimism, on net.

MEMA OE Supplier Barometer: Industry Threats

What are the greatest threats to the industry over the next 12 months?



Issues related to the UAW strike are the greatest threat to the industry over the next 12-months. However, industry threats that have plagued suppliers for years extended their improvement sequentially.

MEMA OE Supplier Barometer: Industry Indicators

For the following indicators, please indicate what change, if any, your company has experienced over the following time frames.

	Total		Less than \$500 mils.		Greater than \$500 mils.	
	12-month chg.	1-month chg.	12-month chg.	1-month chg.	12-month chg.	1-month chg.
New orders	66	34	68	32	64	36
Production	65	21	72	23	59	20
Employment	52	41	54	46	50	36
Supplier Deliveries	62	41	70	42	56	40
Inventories	53	53	49	42	56	62
Customers' Inventories	63	49	59	45	66	53
Costs	90	74	91	76	89	71
Backlog of Orders	48	39	47	39	48	38
New Export Orders	52	51	54	53	50	49
Imports	52	48	50	48	54	49

Diffusion Index = \sum (% Responding Decelerated x 0, % Responding Unchanged x 50, % Responding Accelerated x 100)

Lower Limit = 0

Neutral = 50

Upper Limit = 100

Despite the impact of UAW strikes on most industry indicators in the past month, they remain in good standing from a year ago. Cost increases continue to be a widespread issue.



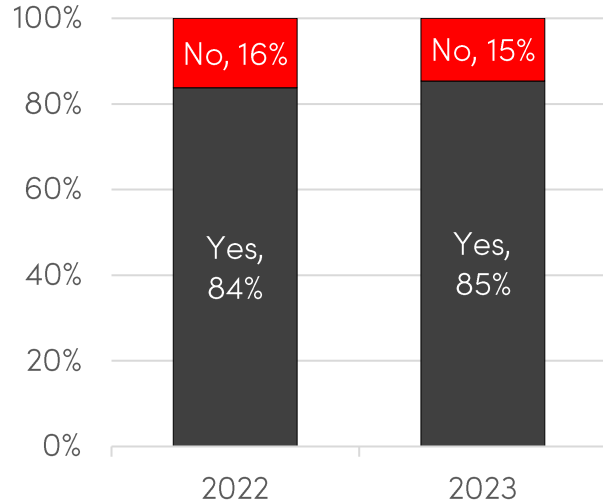
HR and Talent

Q4 2023 Automotive Supplier Barometer

Roles/Responsibilities vs. Skills

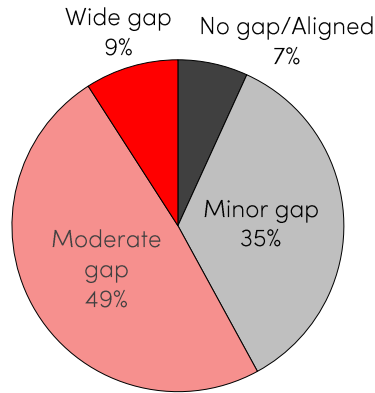
Given competitive hiring pressures and your effort to retain and capture new talent...

Are you evaluating the gaps between roles/responsibilities vs. skills in your organization?

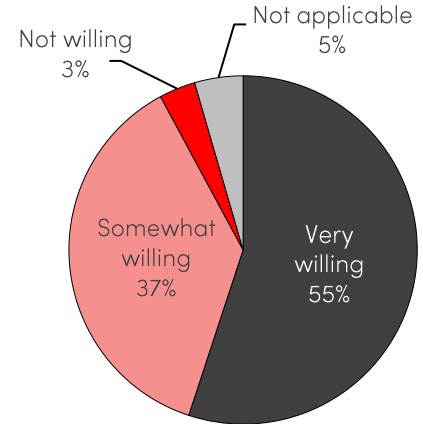


For those indicating 'yes'

What is the magnitude of each gap?



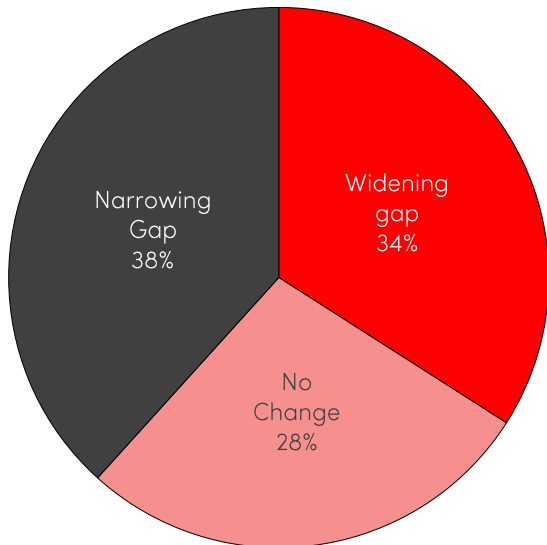
How willing are you to embrace the scope of change needed to close each gap?



Skill gaps grew from last year, with 58% of respondents indicating they have moderate to wide gaps, up from 49% last year.

Roles/Responsibilities vs. Skills

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

Selected responses:

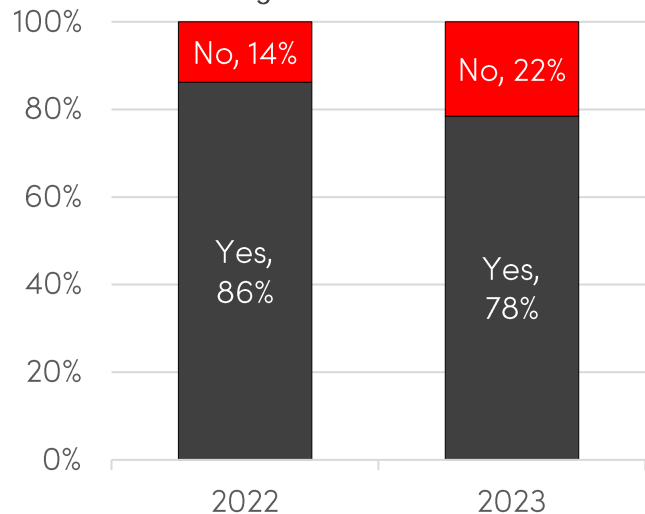
- Dramatic increase in internal training.
- Identify the key competences required for the job, be more flexible, embrace DEI.
- Ongoing training initiatives and state grant support.
- We haven't implemented AI which would require upskilling at this time. Our biggest issue is with skilled trades for which we've begun several apprenticeships and training programs
- Significant investment in training and special focus on leadership skills.
- Adopting AI and automation.
- Continued focus on team planning, employee growth dialogues and training as appropriate.
- Partnering with institutions and organizations. Building a robust internal personnel development platform.

Suppliers are focused on developing talent internally through training or re-skilling, revamping hiring practices and increasing their flexibility.

Current Culture vs. Expected Culture

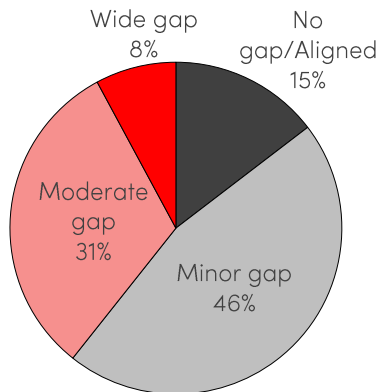
Given competitive hiring pressures and your effort to retain and capture new talent...

Are you evaluating the gaps between current vs. expected culture in your organization?

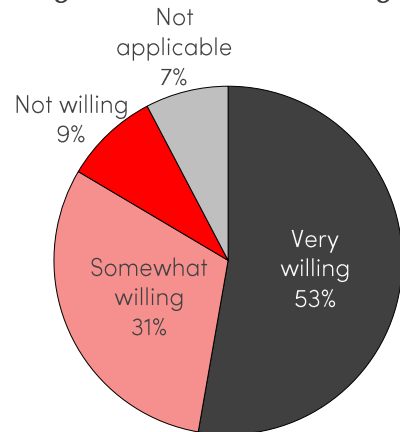


For those indicating 'yes'

What is the magnitude of each gap?



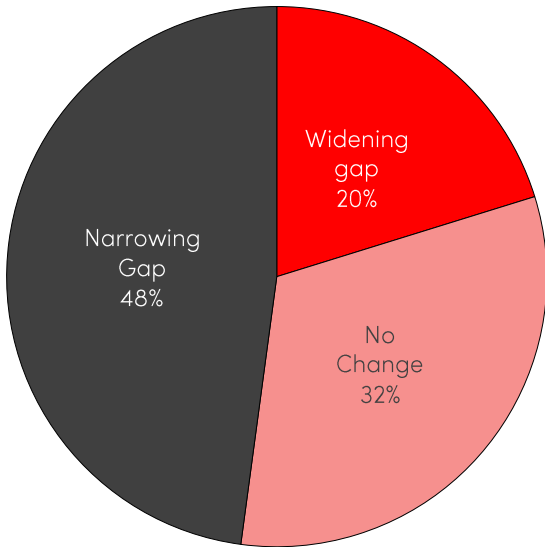
How willing are you to embrace the scope of change needed to close each gap?



Cultural gaps decreased in comparison to 2022, with 39% of respondents indicate moderate to wide gaps between their current and expected culture, down from 48% last year.

Current Culture vs. Expected Culture

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

Selected responses:

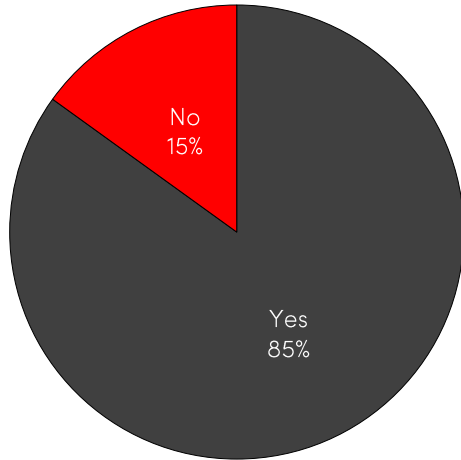
- Hybrid in-office/home office schemes, DEI, clear objectives, frequent feedback sessions. All previous with a formal program in place.
- Frequent communication, new tools to assist employees.
- Listening to the voice of the employee & culture / engagement surveys.
- More flexibility and agility.
- We do not have a hybrid work policy which hinders us in attracting new and retaining current talent.
- Seems that request for flexibility (WFH) remains high. However, project work and onboarding is best done in a F2F set up.
- Focus from our top leadership on creating an inclusive / positive culture.

Suppliers are focused on developing talent internally through training or re-skilling, revamping hiring practices and increasing their flexibility.

Programs to Attract and Reward Talent

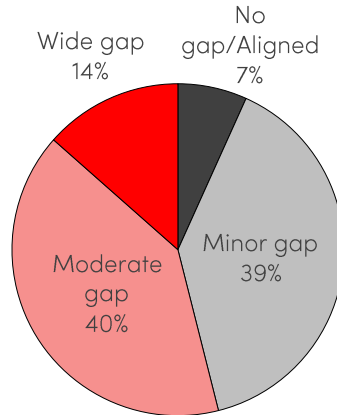
Given competitive hiring pressures and your effort to retain and capture new talent...

Are you evaluating the gaps between programs to attract and reward talent in your organization?

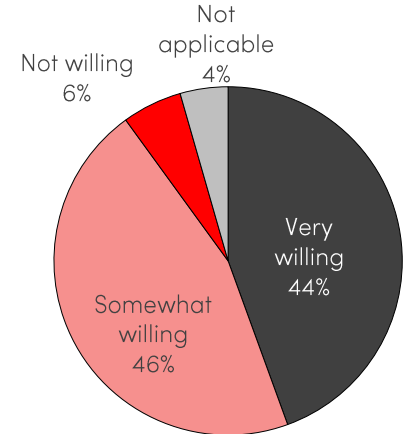


For those indicating 'yes'

What is the magnitude of each gap?



How willing are you to embrace the scope of change needed to close each gap?

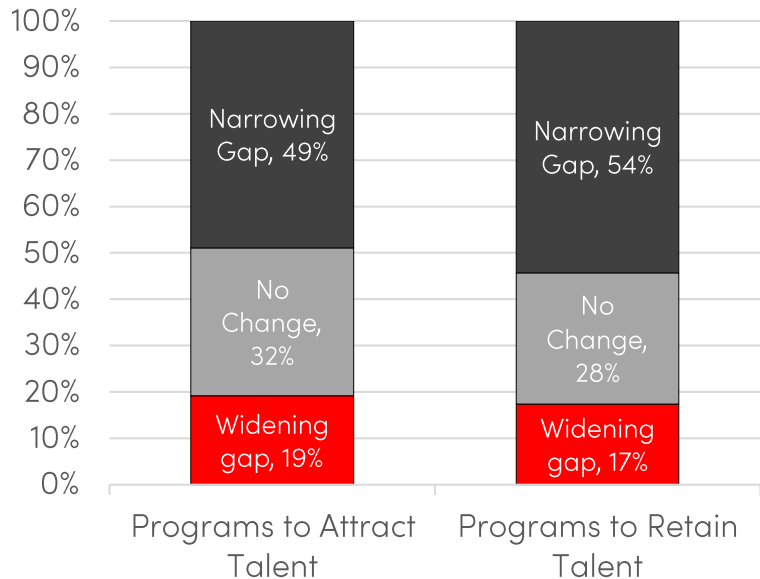


Most suppliers indicate at least a moderate gap in their programs to attract and reward talent, with nearly all indicating they are willing to embrace the change needed to close the gap.

Programs to Attract and Reward Talent

How do you see this changing over the next 1 to 3 years?

What are you doing to adapt your organization to each of these changes?



Programs to attract talent (selected responses)

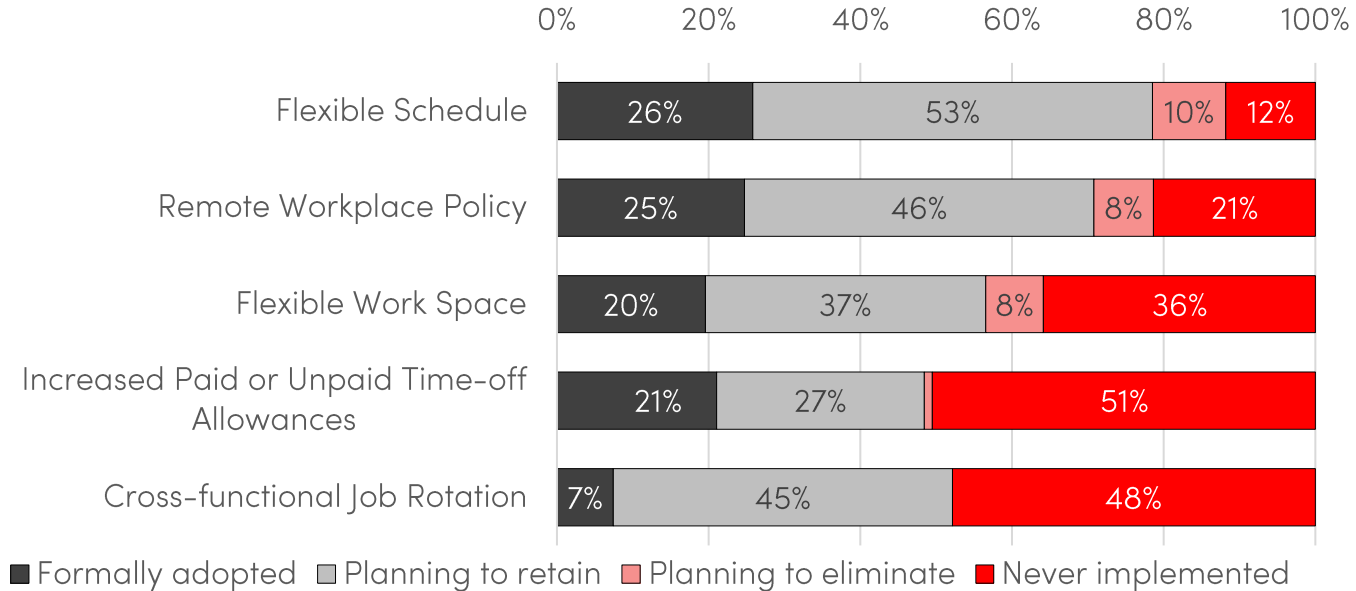
- Promote company values and benefits. Take advantage of the good reputation.
- Social media outreach, benefits including education assistance, etc.
- Co-Op / University partnerships / Industry partnerships
- Recognition program and more recruitment bonuses.
- We are offering significant referral bonuses – and honestly, we are attracting more talent than in years prior.
- Competition remains high on a all levels inside and outside automotive.

Programs retain talent (selected responses)

- Improved healthcare benefits planned, plus additional benefits improvements
- Flexible work schemes, remote workplace, increase training, competitive salaries, social programs.
- Stay Interviews and Bucket List sessions (what would you really like to accomplish). Starting more job rotations and non-traditional apprenticeship programs in key areas such as Supply Chain
- Succession planning, leadership development and mentoring.
- Improved culture and focus on development resulting in reduced turnover.

Employment Issues: Flexibility

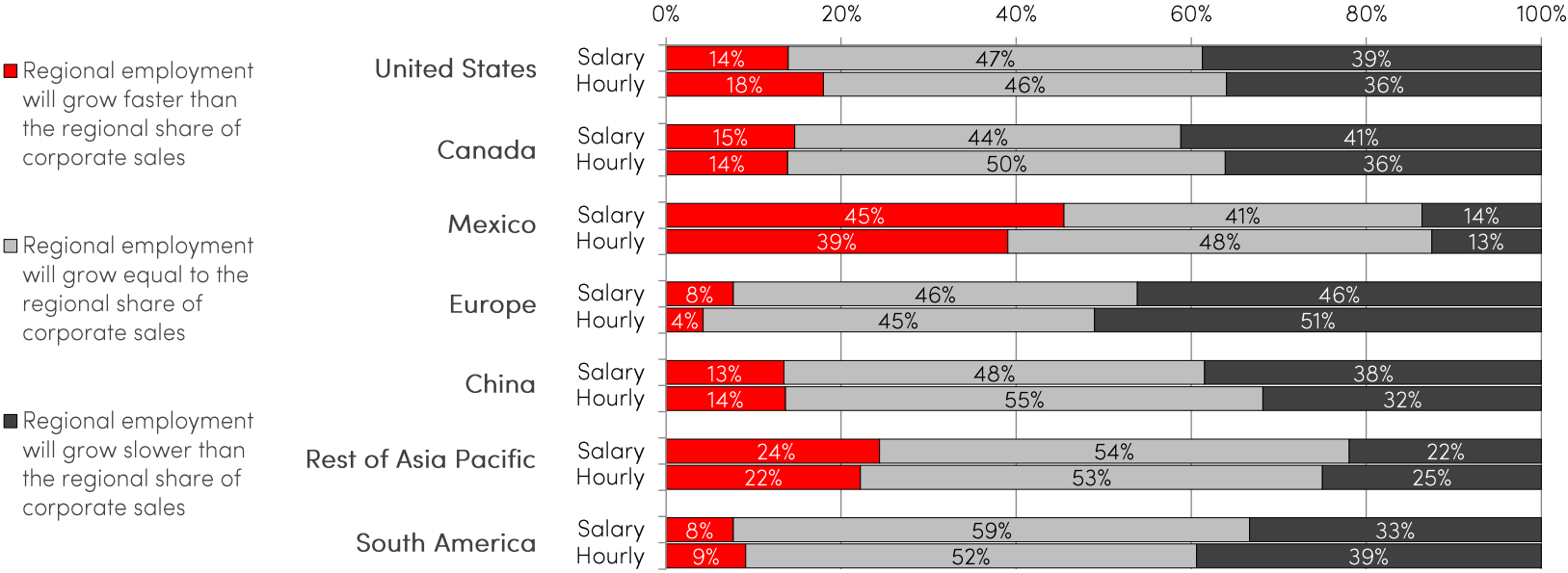
Which of the following programs does your company expect to retain going forward?



The pandemic has profoundly impacted how and where people work, with the majority of suppliers planning to retain a flexible schedule and work environment going forward.

Employment Issues: Regional Growth Expectations

Looking at your current global footprint,
how do you anticipate regional employment levels shifting over the next five years?



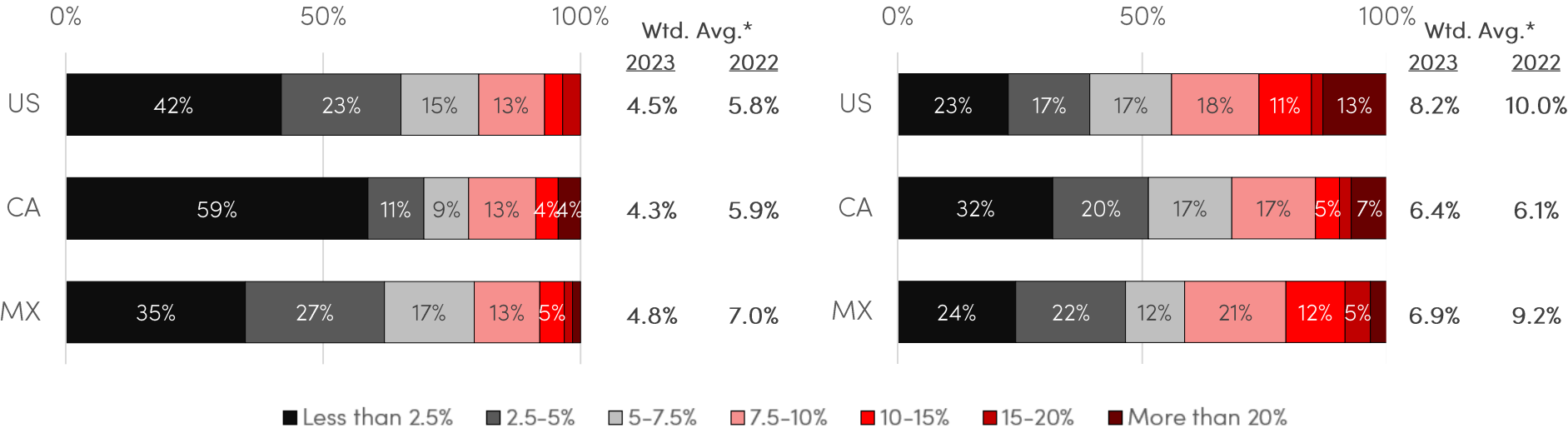
Regional employment will grow faster than the regional share of corporate sales in just a few instances, including in Mexico along with salaried personnel in the Rest of Asia Pacific.

Employment Issues: Regional Voluntary Turnover

Estimate your year-to-date 2023 monthly voluntary turnover rates for salary and hourly personnel.

Salaried Personnel

Hourly Personnel

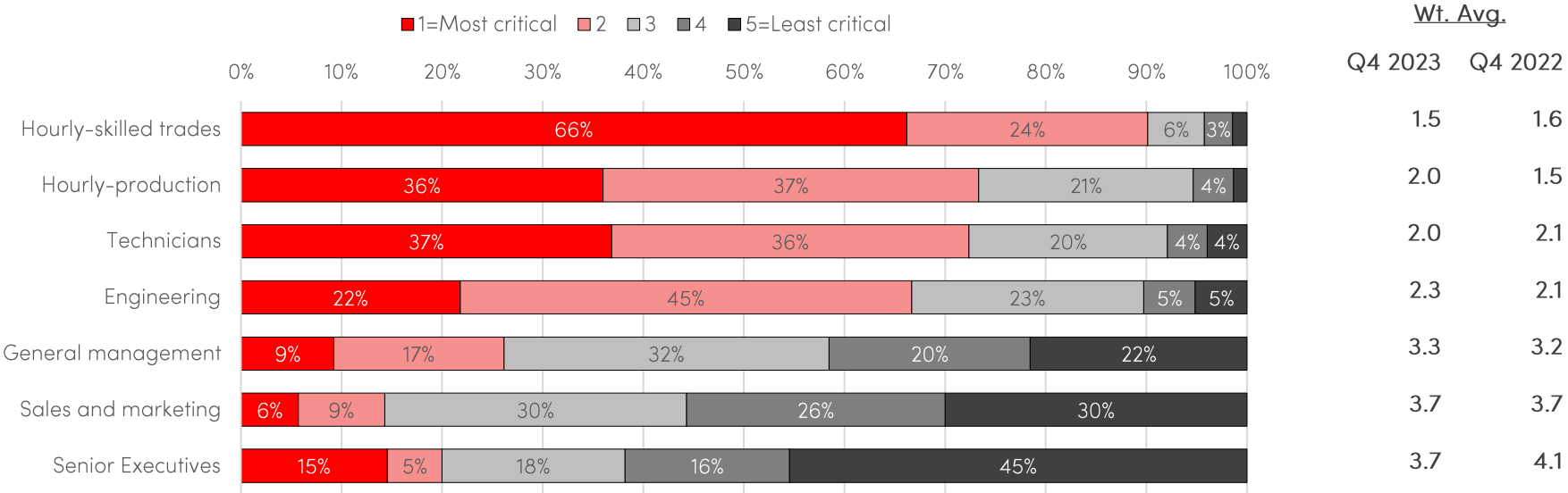


Weighted average assumes the mid-point of each range, >20% = 22.5%

Voluntary monthly turnover decreased materially for both salaried and hourly personnel across North America, aside from hourly personnel in Canada. Despite improvements, turnover remains elevated.

Employment Issues: Labor Acquisition in the U.S.

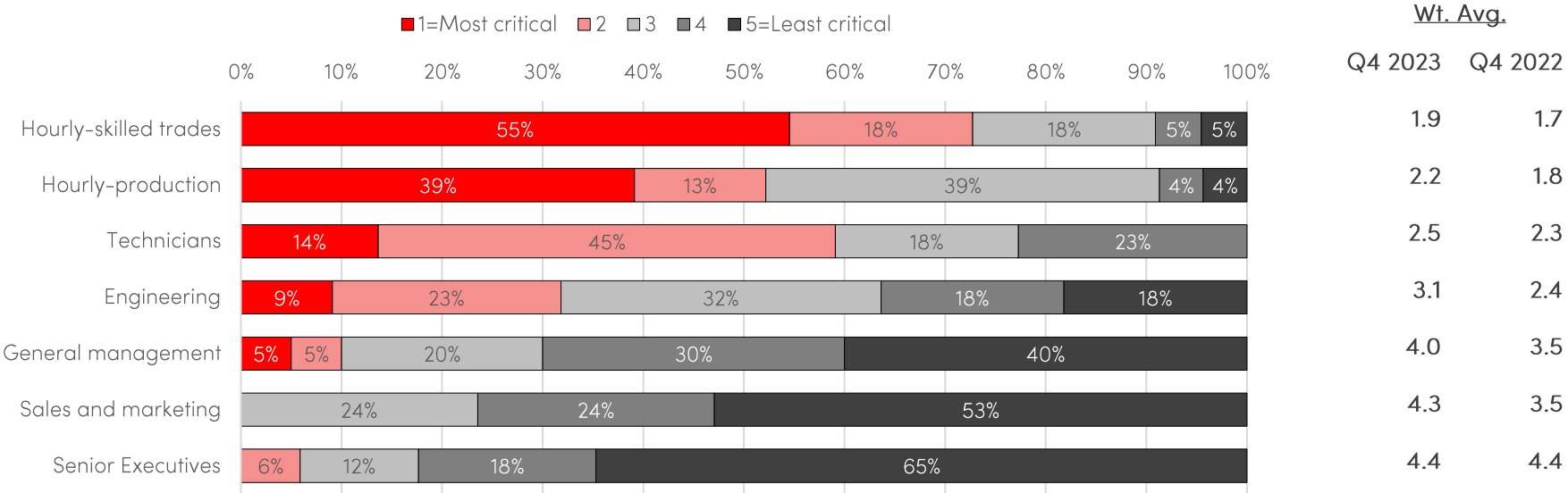
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



The critical need for hourly production workers eased slightly from last year, while skilled trades workers and technician shortages remain acute.

Employment Issues: Labor Acquisition in Canada

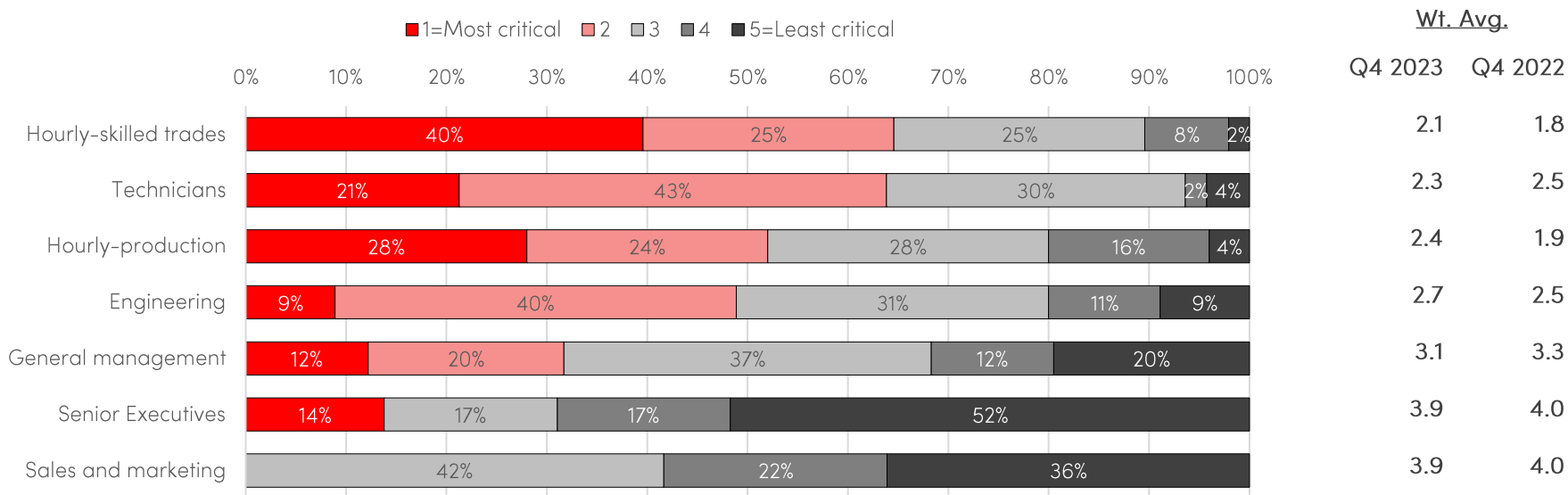
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



Critical need for all categories of workers improved from last year in Canada, with engineering improving most significantly.

Employment Issues: Labor Acquisition in Mexico

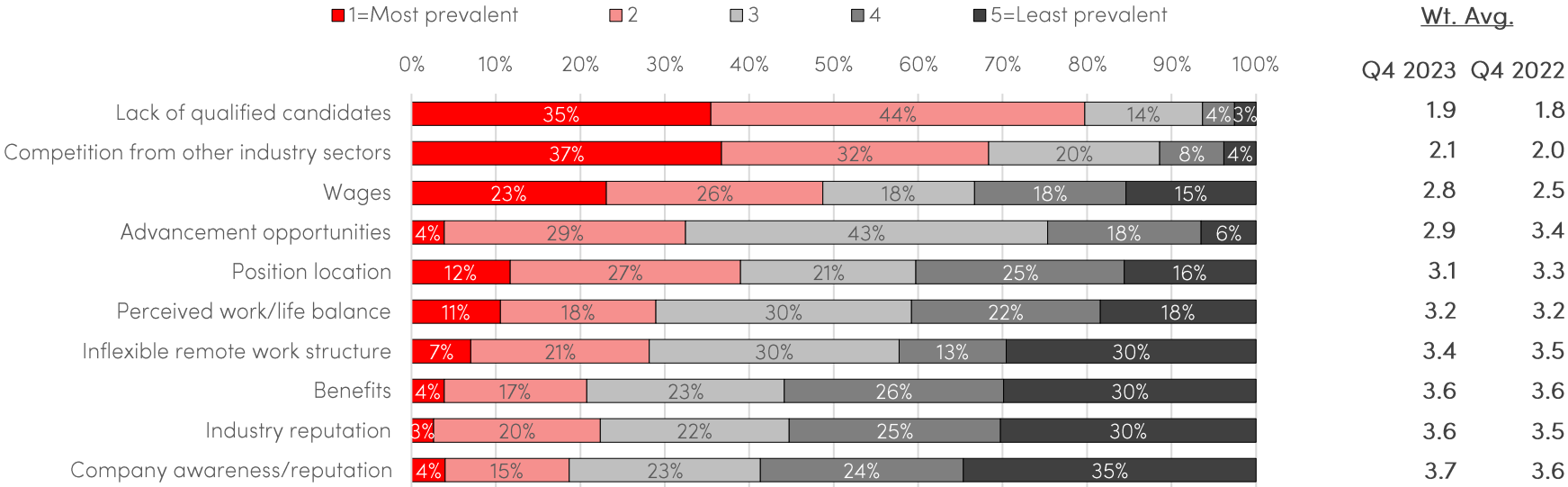
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



Critical needs for hourly-skilled trades and general production workers in Mexico eased from year ago levels yet remain elevated, while other areas of work showed mixed results.

Employment Issues: Filling Open Positions

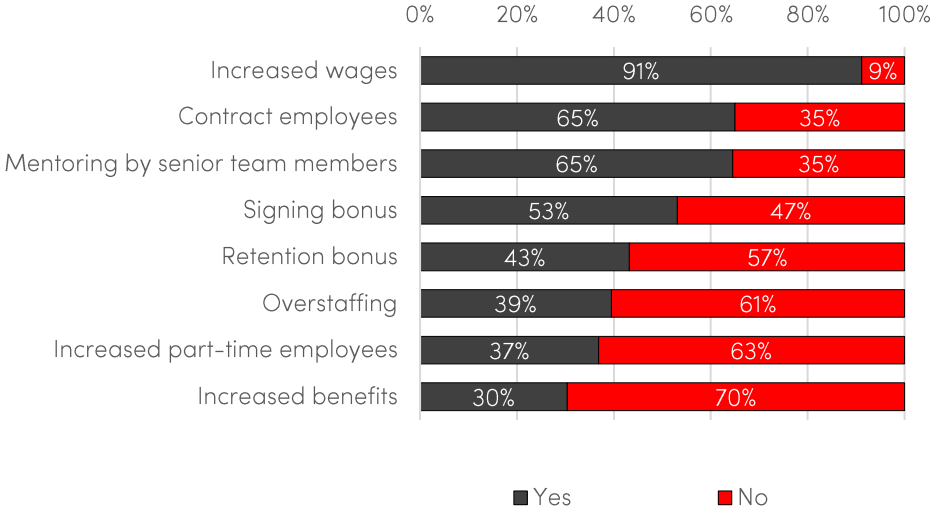
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



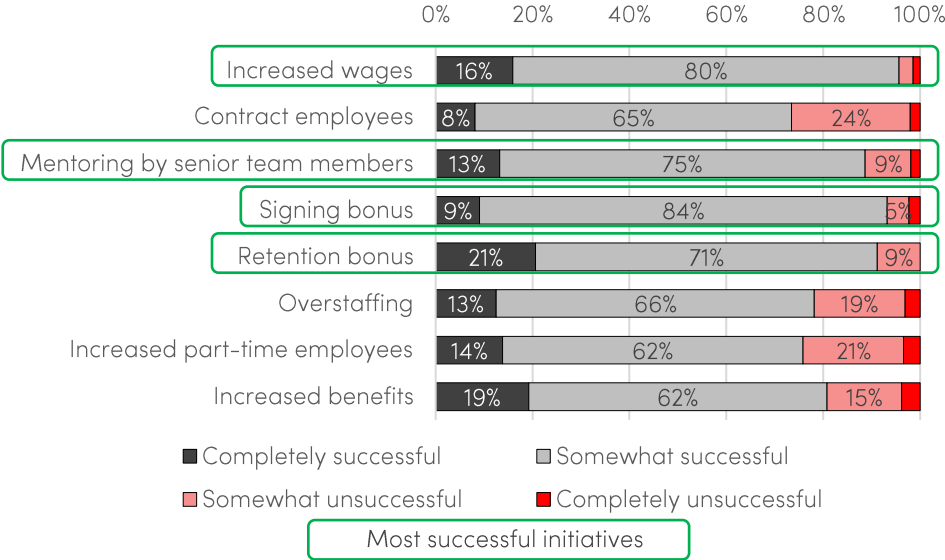
Lack of qualified candidates remains the top hiring constraint as conditions improved marginally from year ago. Competition from other industries and wage demands remain prevalent but also showed improvement.

Employment Issues: Production Worker Initiatives

Has your company implemented any of the following initiatives in order to offset the shortage of production workers?



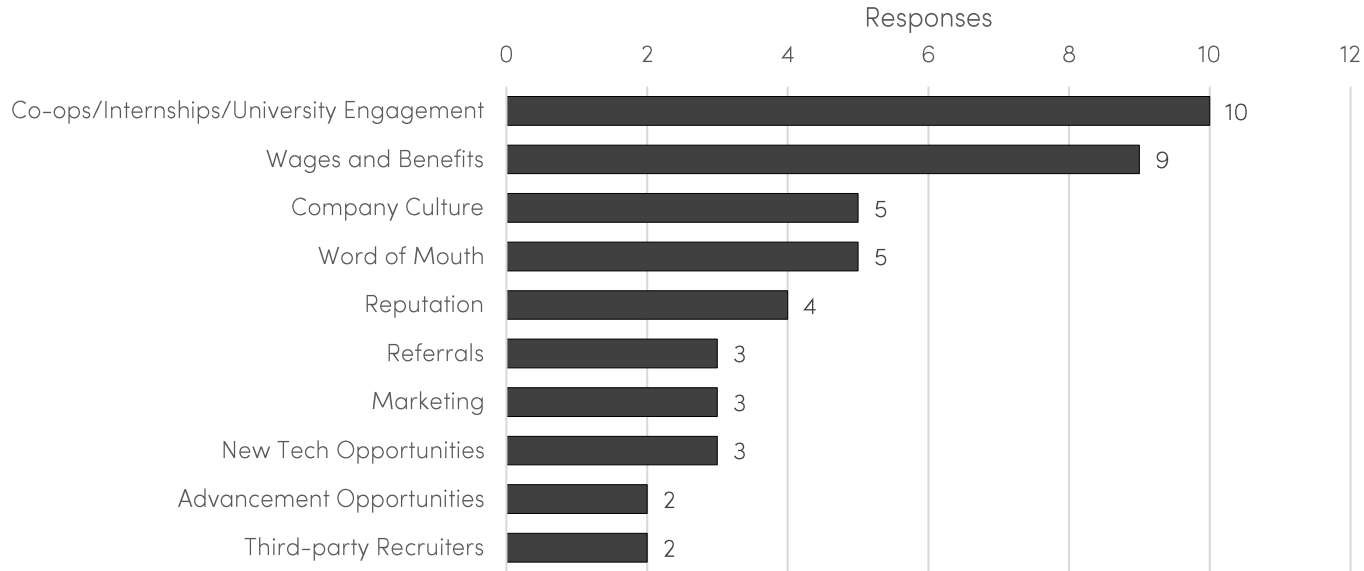
How successful were the initiatives?



Increased wages, mentorship, along with retention and signing bonuses have been the most successful programs in offsetting the shortage of production employees.

Employment Issues: Engineer Attraction

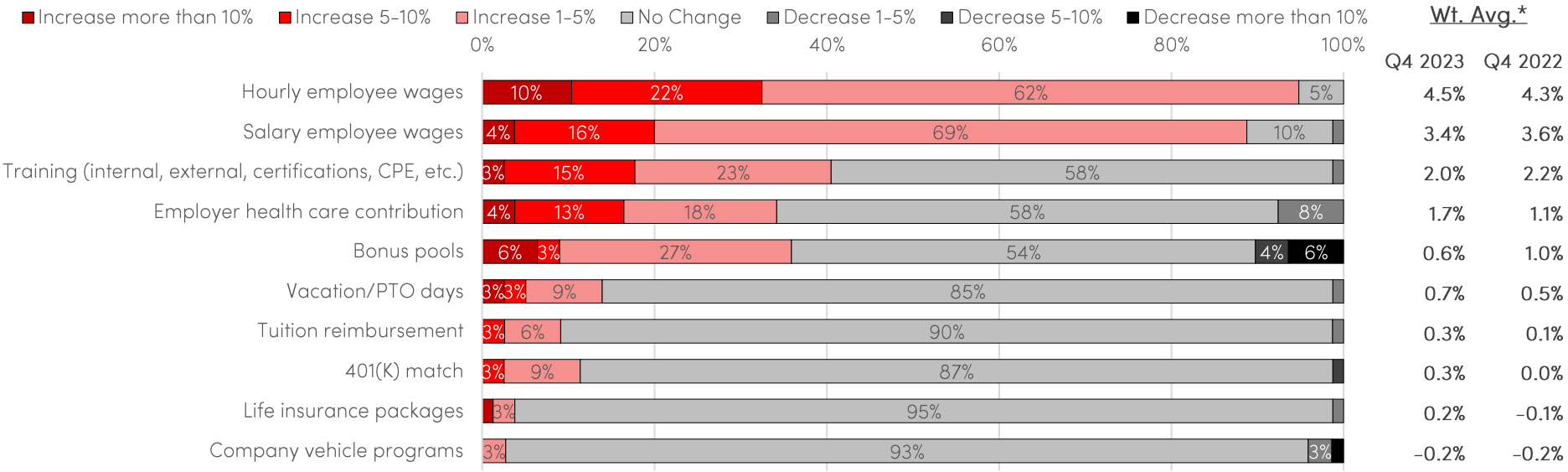
What has been the most successful way for your company to attract engineers?



The most successful methods of attracting engineers are partnering with universities, competitive pay and benefits, promoting company culture and leveraging word of mouth from existing employees.

Employment Issues: Benefits Package Changes

For next year, in the United States identify how your benefit packages are expected to change compared to this year.



* Calculated as increase/decrease >10% as 12.5%, mid-point of all other ranges

On average, suppliers are budgeting for a 4.5% increase to hourly employee wages next year. Additionally, suppliers are planning on cost pressures across nearly all other benefit offerings.

Employment Issues: 2024 Merit Budgets

For 2023 and 2024, in the United States, please indicate your company's approved merit increase as a percentage of your total wage budget. (excluding promotional increases and bonuses)

	Total			Greater than \$500 mils. revenue			Less than \$500 mils. revenue				
	2023	2024	Average Change	2023	2024	Average Change	2023	2024	Average Change		
Lower Quartile	3.0%	3.0%	0.0%	Lower Quartile	3.0%	3.0%	0.0%	Lower Quartile	3.0%	3.0%	0.0%
Median	4.0%	3.5%	-0.5%	Median	4.0%	3.5%	-0.5%	Median	4.0%	3.8%	-0.2%
Upper Quartile	5.0%	4.8%	-0.3%	Upper Quartile	5.0%	4.5%	-0.5%	Upper Quartile	5.0%	5.0%	0.0%

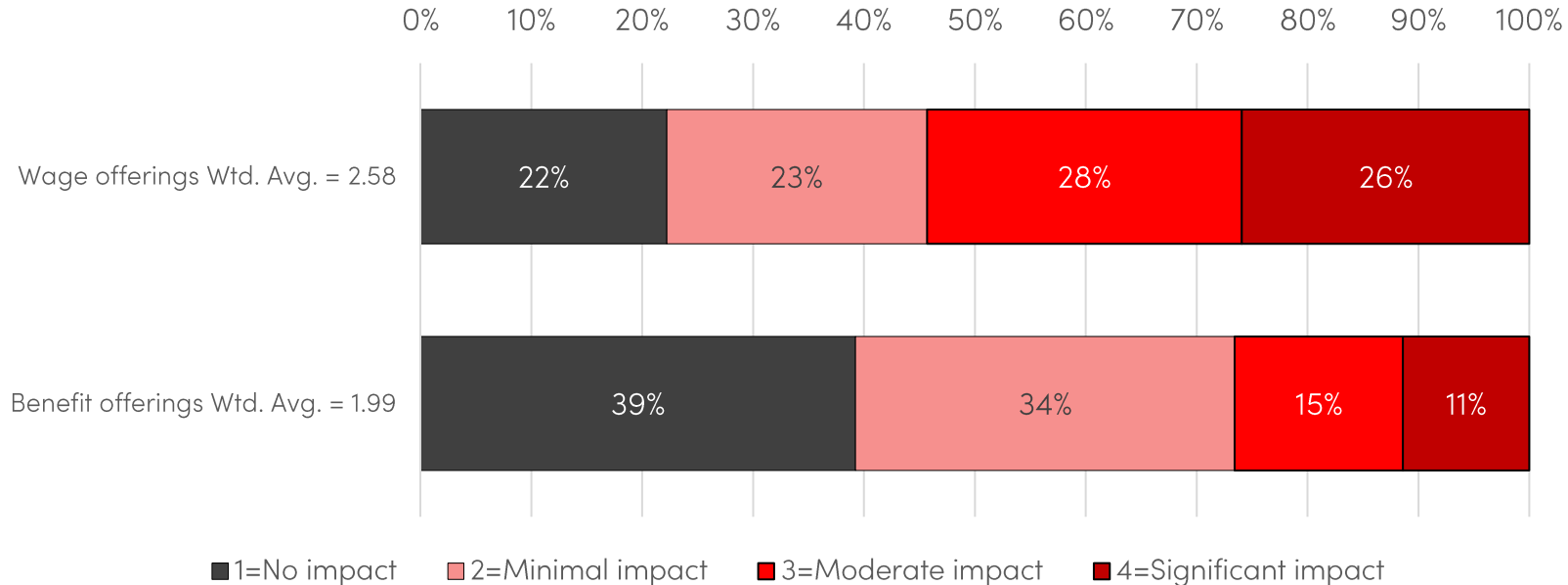
66 responses

26 responses

40 responses

Employment Issues: UAW Strike Impact

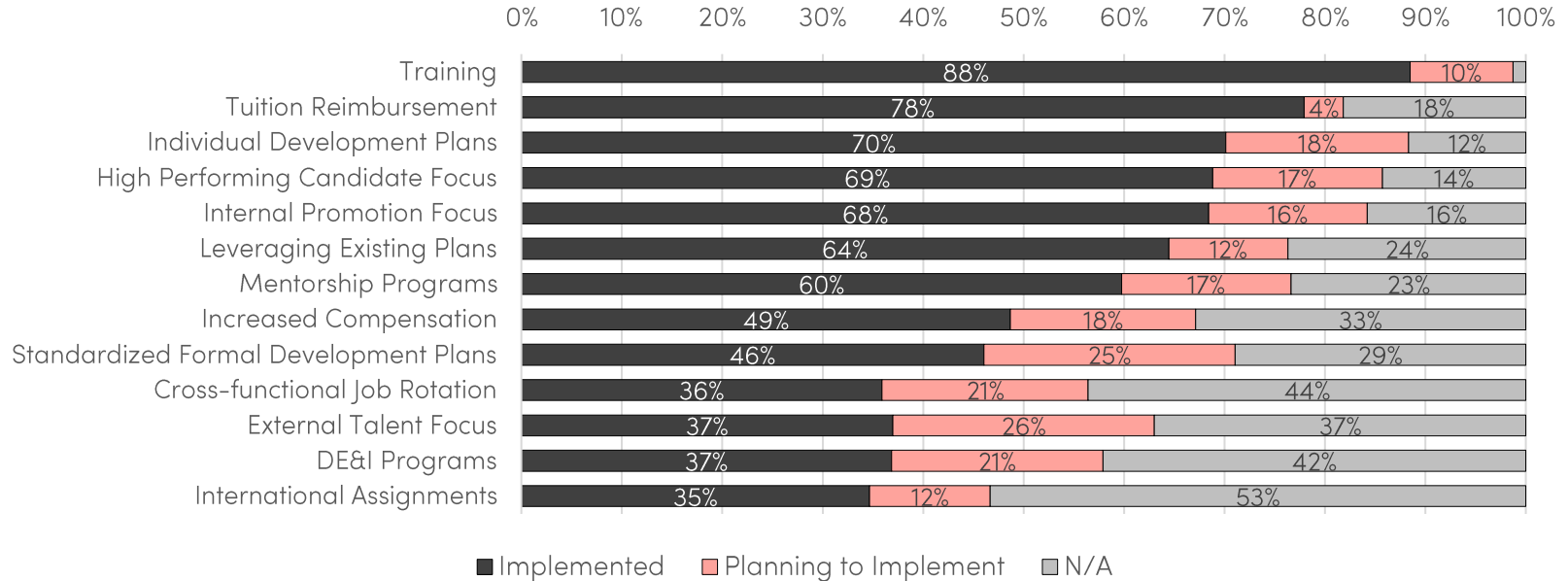
How much of an impact do you believe the UAW strike will have on your wage and benefit offerings?



Suppliers are more concerned that the UAW strike will impact their wage offerings than their benefit offerings.

Career Path and Succession Planning

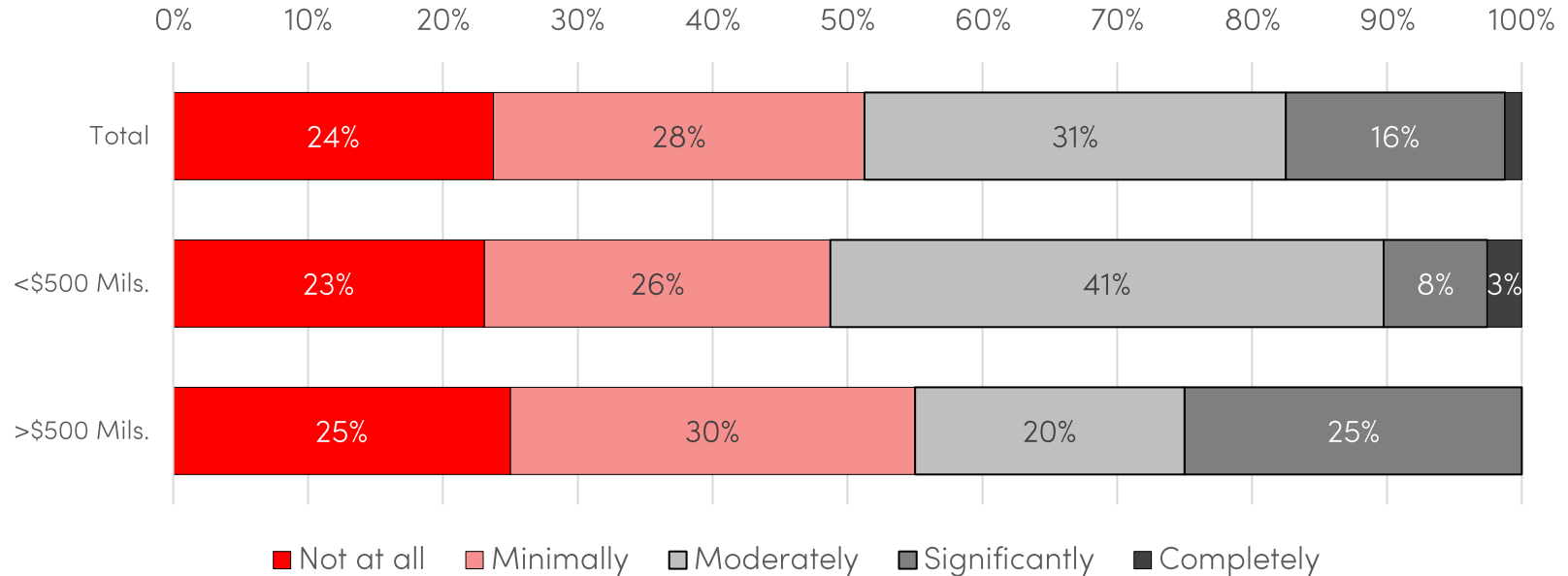
What types of programs have you implemented or are planning to implement for career path and succession planning amongst your workforce?



Key themes for career path and succession planning prioritize developing employees internally through training and tuition reimbursement, while focusing on high performing candidates and promoting internally.

Diversity, Equity & Inclusion and Talent

To what extent have you integrated diversity, equity & inclusion (DE&I) into your talent strategy?



About half of suppliers feel they have at least moderately integrated DE&I into their talent strategy. Results indicate smaller suppliers have outperformed larger suppliers in this effort.

MEMA OE Supplier Barometer: Appendix



MEMA OE Automotive Supplier Barometer is a survey of the top executives of MEMA regular member companies. The MEMA OE Automotive Supplier Barometer takes the pulse of the suppliers' twelve-month business sentiment. In addition, it provides a snapshot of the industry commercial issues, business environment and business strategies that influence the supplier industry. [mema.org](https://www.mema.org)

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Survey Methodology

- Data collected September 28 – October 18 via invitation to online survey.
- Executives of MEMA supplier companies.
- 86 complete survey responses were received, with 113 responses total.

The information and opinions contained in this report are for general information purposes. Comments are edited only for spelling and may contain grammatical errors due to their verbatim nature. Responses to this survey are confidential. Therefore, only aggregated results will be reported, and individual responses will not be released or shared.

Antitrust Statement:

Respondents/participants should not contact competitors to discuss responses, or to discuss the issues dealt with in the survey. It is an absolute imperative to consult legal counsel about any contacts with competitors. All pricing and other terms of sale decisions and negotiating strategies should be handled on an individual company basis.

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