



Labor negotiations are putting talent issues back in the spotlight for auto suppliers

Deloitte Commentary: Q4 2023 MEMA OE Automotive Supplier Barometer

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As the UAW and Detroit 3 automakers continue to work toward ratifying a new labor agreement, suppliers have been left to wonder when the dust will eventually settle and what the outcome will mean for them. Companies responding to the Q4 MEMA OE Barometer have identified issues related to the UAW strike as the biggest threat to the industry over the next 12 months.

From production losses and resulting cash flow pressures to the uncertainty around restarting parts of the supply chain that have been directly affected by strike actions, the path to recovery will likely be a complicated and risky process for many suppliers.¹

Companies that have been forced to lay off staff for an extended period are likely hoping many of those workers have not found jobs elsewhere as the difficulty of finding, training, and retaining

employees is an important concern for many companies in a tight labor market.² More than one-third of suppliers suggest competition from other sectors and a lack of qualified candidates may be one of the most prevalent hiring constraints as advanced manufacturing and digital engineering skill sets become increasingly transferrable.³

A material increase in wages is also high on the list of concerns as suppliers contemplate the upstream effects of concessions embedded in a new UAW contract.⁴ More than half (54%) of the companies responding to the MEMA survey expect the strike will have a moderate or significant impact on their wage structure with many companies budgeting for a 4.5% hike in salaries next year. These wage gains will have a lasting impact on an embattled supply base, applying even more pressure on margins that can

already be characterized as worryingly thin across many parts of the automotive supplier ecosystem.⁵

Although 85% of respondents to the MEMA survey said they are actively evaluating current gaps between roles/responsibilities and required skills across their organization, more than half report having either moderate or wide gaps to close, particularly when it comes to hourly skilled trades. Perhaps most concerning is the fact that only 55% of suppliers surveyed are ‘very willing’ to embrace the scope of changes required to address this issue and 1 in 3 companies expect these gaps to widen over the next 3 years.

It is a similar story when considering the specific example of attracting and retaining talent as 54% of suppliers report having at least a moderate gap in their current approach, but only 44% intend to do what it takes to address the issue.⁶

Many suppliers may still be digesting many of the labor impacts that resulted from the pandemic, including flexible work programs with more than half reporting they are either planning or have already implemented flex schedules, remote workplace policies, and flexible workspaces. A similar number of suppliers surveyed by MEMA have also implemented other programs such as cross-functional job rotations with the intention to unlock key benefits tied to breaking down rigid organizational siloes (e.g., increased communication facilitated by collaborative teaming).⁷

In terms of the steps being taken to support employees with career pathing and succession planning, many suppliers surveyed by MEMA have implemented training (88%) and tuition reimbursement programs (78%), but fewer companies are currently leveraging mentorship programs (60%). Fewer still have integrated diversity, equity, and inclusion (DEI) goals into their talent strategy (37%).

In order to help ensure they can position themselves for growth in a shifting landscape, suppliers should take action when it comes to their talent strategy. Here are five key considerations:

1. *Focus on frontline workforce experience:* While suppliers are preparing for wage increases given expected UAW contract outcomes, they should focus on ways to improve the overall experience for their frontline workers (e.g., guaranteed work hours, shift swaps, safety, workplace).
2. *Drive equity throughout talent lifecycle:* Identify opportunities to remove bias in existing talent processes and systems and add more opportunities for career advancement across the organization (e.g., sponsorship/mentorship program, internal mobility).
3. *Create a Talent Access Strategy:* Suppliers should build a talent strategy that looks at the future skill mix needed to determine when to buy, build, borrow, or utilize a bot for near-term and longer-term capabilities required by OEMs.
4. *Accelerate skill-building for critical roles:* Once important roles are defined, make outsized investments in up-skilling/re-skilling in key areas to meet future market demand.
5. *Build skills-based career paths:* Provide more transparency on career paths that are tied to skills rather than years of experience or education requirements to allow more mobility and equity across the organization.

As the auto industry continues to work through a prolonged period of disruption and evolution, suppliers should also look inward to understand how these forces are impacting the talent that underpins their organization. Taking clear, proactive steps to evaluate existing gaps in their talent strategy could unlock key performance benefits for suppliers while bolstering their overall competitiveness going forward.

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Endnotes

¹ Andres Gutierrez, [Auto suppliers asking for federal assistance to weather UAW strike](#), CBS Detroit, October 17, 2023.

² John Rosevear, Michael Wayland, [UAW strikes threaten already vulnerable auto parts suppliers](#), CNBC, September 27, 2023.

³ Jamie LaReau, [Michigan auto industry struggles to hire, keep workers – with some quitting by lunch](#), Detroit Free Press, March 15, 2022.

⁴ Ed Garsten, [UAW leadership brief members on historic, longer proposed contract with Ford](#), Forbes, October, 29, 2023.

⁵ John Irwin, [Supplier profits lag even as revenue reaches pre-pandemic levels](#), Automotive News, March 10, 2023.

⁶ *2023 Q4 MEMA Automotive Supplier Barometer*, MEMA Original Equipment Suppliers, November 2023.

⁷ Ibid.

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