OESA AUTOMOTIVE SUPPLIER BAROMETER
Focus on Human Resources and Talent

Q3 2017
Q3 2017 OESA SUPPLIER BAROMETER: Key Findings

- The Q3 2017 supplier outlook declines as the Supplier Barometer Index (SBI) dropped 11 points to 40 from the Q2 level of 51; resulting from a significant decrease in optimism coupled with a high level of pessimism. This is the lowest SBI level seen since September 2011. Pessimism is shared across all sizes of companies, but shown more prominently in larger companies. Increasing inventories and slowing production are the key drivers in this SBI trough.

- As mimicked by the SBI comments, suppliers consider trade policy changes and poor vehicle sales as the primary threats over the next 12-18 months.

- As we look at competing markets against automotive resources, the computer/non-automotive electronics and commercial vehicles are the industries that absorb resources. An important reminder is that this survey was distributed among auto suppliers so the gap in industries served is high, as expected. The intent though is to watch the pattern changes year over year.

- As the automotive industry works to overcome hiring pressures, it important to better understand the scope of talent gaps. Eighty-nine and 81 percent of suppliers are evaluating skill and organizational culture gaps, respectively. The size of these gaps and willingness to address them within organizations, mirror each other. More than 60 percent of respondents indicate wide to moderate gaps in skills and culture. Over 95 percent of these companies are willing to embrace change to close the gaps.

- Skill sets are changing as responsibilities become specialized, more autonomous and more collaborative. Organizations are evaluating steps necessary to overcome talent shortages. Companies are focused on training employees to grow talent from within. Skills assessments are being conducted. Functional cross training and apprenticeships are key responses. Organizations are also changing hiring practices, focusing on accurate skills placement in open roles and adapting roles to fit skill sets.

- Cultural gaps are being driven by the next generation’s values. Time and flexibility are very important to the younger workforce. Closing the cultural gap means that suppliers are looking at changes in company philosophy, policies and physical environmental changes.
Q3 2017 OESA SUPPLIER BAROMETER: Key Findings (continued)

- Suppliers indicate that staffing in Mexico will increase at a faster pace than regional sales growth. Asia/Pacific is an expected growth region over the next 5 years, while contraction of employment in Europe and in the United States continues.

- More suppliers in the U.S. and Mexico are running on alternate shift schedules compared to last year. However, the percent of production on these alternate schedules is declining.

- High turnover rates are a battle across North America, with workers leaving to find higher pay. Canada has the highest turnover rate. Hourly workers are leaving at a higher rate than salary across all North American countries.

- Finding technically skilled employees is a universal issue across much of the region. Most suppliers are having difficulty finding qualified and available engineers, technicians, hourly labor and hourly skilled workers in the United States and Mexico. Mexico is also finding it hard to fill general management positions. Canada is a bit of an anomaly; less than half of suppliers indicate that they are having trouble filling positions. Understanding why is not clear.

- Engineering shortages are the most critical across the region. This is a shift from last year, when technicians and hourly skilled trades were most critical. Similar to last year, finding qualified available candidates followed by salary expectations are the primary reasons for the inability to fill open positions.

- As suppliers plan for 2018, to support business strategies and growth objectives, HR will focus on career and succession planning followed closely by organizational leadership, communication and empowerment as well as training.

- Going into 2018, training, health care contributions and bonus pools could increase. These results were similar compared to last year.
SUPPLIER BAROMETER INDEX AND OUTLOOK
OESA SUPPLIER BAROMETER: SBI Score = 40
Inventories, production volumes and the political environment drive sentiment down

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

Supplier Barometer Index: (SBI 6m Average)

Current Supplier Outlook (Share of Respondents)

94 responses
## OESA SUPPLIER BAROMETER: SBI Comments

### More Optimistic
- New vehicle launches will add to our revenue.
- Auto volume is stable. Non-auto industrial markets starting to improve (earth moving, agriculture, building and construction).

### No Change
- Stable business. (3 similar responses)
- Continues to be optimistic. (2 similar responses)
- Need to get clarity from Washington.
- Market softness in NA, EU. Continue to have headwinds in South America. U.S. policy is not clear and starting to hinder relationships.

### More Pessimistic
- Customers are adjusting inventories by laying off plants. OEMs are more aggressive on productivity and cost downs.
- Still concerned about slight reduction in annual vehicle production. The large inventories of unsold cars has me worried. It's been one of the longest runs in history thus far in a very cyclical industry.
- Order volume is down for last four months.
- OEM NA global car production is continuing to fall to 16.5 million in 2017.
- Production forecasts not meeting expected levels causing some concerns for profit targets for both suppliers and OEMs. Concern for OEM reaction and pressure to provide reductions to offset their profit declines.
- Political uncertainty in U.S. (2X)

### More Pessimistic (continued)
- Customer demand softening, financial demands increasing, and sourcing activity is down in the powertrain area.
- More OEM downtimes announced and huge inventory cause the most concern. (2X)
- General trends – costs of incentives; inventory, production volumes are negative.
- Softening in the truck market in second half 2018.
- Customers focusing more on cost reductions.
- Threat of border taxes and NAFTA changes, and looming sales decline / recession have a chilling effect on capital investments.
- Slowing of the U.S. automotive industry may have a downward effect on 2017 demand.
- More pessimistic with projections in decrease in vehicle production and sales.
- Too many sub-prime loans and incentive spending is increasing.
- Trends lead to lower sales in the near- and mid-term. (2X)
- OEMs are predicting significant volume declines in the U.S. which will affect us.
- Extended shut downs, slow sales for passenger cars, flat overall volumes, exchange rate issues with the Euro/Dollar.
- Forecast for current year orders are not materializing and future business forecast are starting to shrink. There seems to be some uncertainty starting to develop.
- Vehicle volumes dropping - the peak is over. (2X)
- Mainly due to changes at Ford (ongoing car sales drop; decision on C519 NA production cancellation).
- Overall automotive production outlook has weakened. Some signs of economic improvement, but some signs also of difficulty ahead.
OESA SUPPLIER BAROMETER: SBI Results By Company Revenue
Opinions have become more pessimistic across all revenue groups

<table>
<thead>
<tr>
<th>SBI Index</th>
<th>April</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$50 million</td>
<td>63%</td>
<td>42%</td>
</tr>
<tr>
<td>$50-$150 million</td>
<td>45%</td>
<td>29%</td>
</tr>
<tr>
<td>$151-$500 million</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>$501 million – $1 billion</td>
<td>14%</td>
<td>57%</td>
</tr>
<tr>
<td>&gt;$1 billion</td>
<td>5%</td>
<td>18%</td>
</tr>
</tbody>
</table>

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

- Significantly more pessimistic
- Somewhat more pessimistic
- Unchanged
- Somewhat more optimistic
- Significantly more optimistic

No. of Responses = 79
OESA SUPPLIER BAROMETER: Threats to the Outlook
Changes to trade policy is still the greatest concern to suppliers

Rate the possible threats being considered in your current outlook over the next 12-18 months,

<table>
<thead>
<tr>
<th>Threat</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in government trade policy</td>
<td>3.9</td>
</tr>
<tr>
<td>Poor sales of vehicles in programs supplied</td>
<td>3.9</td>
</tr>
<tr>
<td>Weakness in the U.S. Economy</td>
<td>4.5</td>
</tr>
<tr>
<td>Implementation of new government regulations</td>
<td>5.4</td>
</tr>
<tr>
<td>Likelihood of higher interest rates</td>
<td>5.5</td>
</tr>
<tr>
<td>Terrorism or some type of international event</td>
<td>6.2</td>
</tr>
<tr>
<td>Inability to address internal labor constraints</td>
<td>6.7</td>
</tr>
<tr>
<td>Inability to fulfill customer volumes</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Comments:
- NAFTA negotiations impact.
- Border tax, steel tariffs.
- Uptick in car loan defaults and personal leverage.
- Customer changes i.e. sale of business units.
- Change in customer policy and relationship towards supplier.
- Shortage of skilled labor in all U.S. regions is our biggest challenge.
- Shift of cars to SUV/trucks.

No. of Responses = 87
HUMAN RESOURCES AND TALENT
### INDUSTRY SEGMENTATION:
Though on a smaller scale, commercial and electronics markets share automotive supplier resources

To better understand North American markets of automotive suppliers, provide an estimate of your industry revenue for each segment:

<table>
<thead>
<tr>
<th>N.A. Industries</th>
<th>Percent of total NA revenue in each Industry</th>
<th># of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower Quartile</td>
<td>Median</td>
</tr>
<tr>
<td>Automotive</td>
<td>85%</td>
<td>97%</td>
</tr>
<tr>
<td>Defense</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Marine</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Furniture</td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td>Computers and non-automotive electronics</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Aerospace</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Heavy-Duty, Commercial</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Other Industries:**
- Cosmetic
- Packaging
- Construction
- Industrial
- Lawn and garden
- Small engine
- Oil and gas
- Mining
- Heating/cooling
- Wind power
- Healthcare/Medical
- Power sports
- Retail
Roles/Responsibilities vs. Skills - Understanding the Gaps

Most suppliers are evaluating skills gaps, +60% have moderate to wide gaps, nearly all want to close gaps

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

Are you evaluating the following gaps within your organization?

- Yes: 78 (89%)
- No: 10 (11%)

What is the magnitude of each gap?

- Minor gap: 29 (37%)
- Moderate gap: 43 (55%)
- Wide gap: 6 (8%)

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

- Very willing: 32 (41%)
- Somewhat willing: 43 (55%)
- Not willing: 3 (4%)

For those indicating ‘yes’
Roles/Responsibilities vs. Skills
Skill sets and expectations are changing as we move into more specialized roles

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

Adapting Skill Sets:
• More robots requiring a higher expertise in assembly.
• Required skillsets changing rapidly.
• More need for specialized skills including logistics etc.
• More global minded and strategic ability.
• More empowerment, requiring broader skill sets.
• More technical skills needed with ability to self manage.
• Better skills for different Roles/Responsibilities.
• Increased responsibilities without the necessary skills to support.
• The responsibilities for each role has become more formalized and expanded for most salary roles.
• Need more highly skilled employees in the workforce. Automotive is a tough sell to attract and retain technical/engineering talent. The family traditions of working for the automotive industry is gone with the OEM’s treatment of employees over the last 15 years. Those that have left the industry will never return. New employees are flocking toward Silicon Valley and/or Autonomous Vehicle technology.
• Skills becoming more technical in all roles and responsibilities.

Adapting Skill Sets: (continued)
• Greater demand on individuals to fulfill expectations that align with their salary requirements.
• Adapting roles to available skill sets.
• Increasing responsibility.
• Technology increases expectations.
• It will be changing to other type of processes like electronics.
• Technical skills for autonomous vehicle projects.
• Within sales function: more need to explain technical basis for costs.
• More electrification, more systems engineering skills required.
• Increase in the need for electronics and software skills.
• Technology is driving front-line skill base at the operational level. Computerization of production measurables and reporting is supporting immediate knowledge and reaction to improvements.
Roles/Responsibilities vs. Skills (continued)
Skill sets and expectations are changing as we move into more specialized roles

<table>
<thead>
<tr>
<th>How do you see this changing over the next 1 to 3 years?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Succession and Training:</strong></td>
</tr>
<tr>
<td>• Integrating new managers as a wave of baby boomers retire.</td>
</tr>
<tr>
<td>• Key management team’s responsibilities will be more important.</td>
</tr>
<tr>
<td>• Better road maps for each employee.</td>
</tr>
<tr>
<td>• Higher skill levels will be required – requires greater training.</td>
</tr>
<tr>
<td>• More need for skill training and apprenticeships. Limited amount of skilled workers are available.</td>
</tr>
<tr>
<td>• Focus on development of internal employee skills.</td>
</tr>
<tr>
<td>• Hiring outside of product skill segment.</td>
</tr>
<tr>
<td>• Finding the skill sets lost as people retire. (2X)</td>
</tr>
</tbody>
</table>

| **Narrowing Gap:**                                    |
| • This gap will decrease over the next 1-3 years.     |
| • Combining of roles overlapped by a non-traditional mindset. |
| • Improving.                                         |

| **Widening Gap:**                                    |
| • Technical skill requirement continues to accelerate. |
| • Expecting gap to increase in engineering and IT functions. |
| • More difficult to find qualified candidates.        |
| • Continued problems finding talent in all areas.     |

| **Other:**                                            |
| • Skilled labor is tight as manufacturing jobs are more demanding than retail or service sector jobs. |
| • Hard to find people with needed skills to grow our organization. |
| • Shift to Gen-X.                                     |
| • Expatriate reduction.                               |
| • Further hiring administrative support to cover non-value-add workload of strategic management positions. |
| • We will manage out those that are not skilled in digital technology. |
## Roles/Responsibilities vs. Skills
Evaluations prompting organizations to assess how they train, hire and place existing and new employees

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

#### Training (7 responses)
- Training
- Reviewing associates capabilities vs. role, training where possible, reassignment where necessary.
- Grow talent, targeted training.
- Proactively training and developing.
- Talent management evaluations, identification of employee interests and future training plans.
- Cross training and increased training.
- Internal training programs.
- Internal and external training.
- Increase the amount of training available.
- Training new members.
- Our HR department is tasked with developing a better training program to address the training needs for each functional group.
- Increased training and apprenticeships.
- Working with local colleges, offering training classes, tuition reimbursement.
- Skills matrix assessment, succession planning.

#### Training (continued)
- Internal education and training, tuition refunds, added internal team members for skills development.
- Emphasis on virtual decision making and extensive training on metrics analysis.
- Increased training. Employees have to earn their right to autonomy by demonstrating results.
- Additional sales training and cross-functional training.
- Aggressive training of younger workforce.
- Added investment in training.

#### Hiring
- Hire talent as needed. (4 similar responses)
- Hire more capable management.
- Re-write of job descriptions, standard work operations and hiring semi-skilled to fill.
- Recruiting at technical schools.
- More recruiting. Narrowing focus of individual roles and creating more roles.
What are you doing to adapt your organization to each of these changes?

Hiring (continued)
- Hiring is keyed on technical skills.
- Improved vetting.
- More student and early talent recruitment and development.
- Change our hiring process, no more contingents.
- Hiring EEs and recruiting students with EE/CE degrees.
- Recruit sales from within technical functions.
- Targeted recruiting.
- Utilizing co-ops from local universities to complete needed projects and apprentices from local high schools for manufacturing, design, tool and die and machinists positions.
- Adding administrative support in low cost regions.

Reorganizing: (continued)
- Revising job descriptions and performance evaluations.
- Localize key positions.

Evaluating and Monitoring:
- HR directive to monitor and track.
- More emphasis on talent management methodologies
- Continuous evaluation.
- Trying to anticipate future needs now and in short-term.
- Looking at the apprentice program.
- Education and methodical processes to identify areas of concern.

Reorganizing:
- Reorganization.
- Localizing skills to be closer to the customer.
- Re-aligning global design centers from low- to high-tech skills.
- Combining technical functions for the people with skills.
Current Culture vs. Expected Culture - Understanding the Gaps
(work environment, flexibility, autonomy)

The large majority of suppliers are evaluating culture gaps, with much the same gap as was seen in skills.

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

Are you evaluating the following gaps within your organization?

- Yes 70 (81%)
- No 16 (19%)

For those indicating ‘yes’

What is the magnitude of each gap?
- No gap 3 (4%)
- Minor gap 23 (33%)
- Moderate gap 39 (57%)
- Wide gap 4 (6%)

How willing are you to embrace the scope of change needed to close each gap?
- Not willing 1 (2%)
- Somewhat willing 41 (60%)
- Very willing 26 (38%)
Current Culture vs. Expected Culture *(work environment, flexibility, autonomy)*
Flexibility is a key factor in what will be changing our culture

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

**Flexibility:**
- Millennials value time.
- Millennials focus much less on salary, more on quality of life.
- Major change in work from home and technology.
- Time away from work more important than compensation.
- Increased flex time, increased flexible work arrangements, support for maternity/paternity, increased stress on women & diversity in management levels.

- More flexible work environment. (3X)
- Seeing push for more flexibility and work from home. As economy tightens (soon?) there will be more focus on having job and less on the millennial demands.
- Greater non-traditional work hours to allow for global program activities. Better break facilities.
- Continued evolution of the workforce. Younger employees want to work less and more freedom to work from home as well as flexible hours/days.

**Flexibility: (continued)**
- More flexibility on work hours, more flexible work space with collaborative areas, more video and on line meetings, more computer based tools to enhance efficiency.
- Newer members to the workforce expect flexibility in how and when they fulfill their responsibilities.
- Millenial will continue to push for added flexibility.
- More "work-from-home" flexibility, especially for working moms.

- Allowing for more flexible schedules to adapt to millennials.
- More nimble, future focused.
- Higher degree of work flexibility. (3X)
- We need to be more flexible and more like other industries (i.e. Google working environment).
- Adapting management and culture for more flexible work hours, improved work environment.
Current Culture vs. Expected Culture (work environment, flexibility, autonomy) (continued)
Flexibility is a key factor in what will be changing our culture

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

Pay and Benefits:
• Adjust incentive programs to include non-monetary incentives (i.e. more vacation time).
• Benefits, Time Off, Pay Levels are critical to the culture of our young kids. They don't mind working, but want compensated (in some fashion) for their extra efforts.

Collaboration:
• More collaborative environment.
• Analyze personalities, surveys, ways to improve collaboration.

Other:
• Little to no change. (3 similar responses)
• This gap will decrease somewhat over the next 1-3 years.
• Improving.
• Initiative underway to mold culture.
• Increased awareness of company culture to drive wanted behaviors.
• Move strongly to new culture.

Other: (continued)
• Retiring managers are resentful of swift rise of younger generation of managers with claims that they are being given too much without having to earn these benefits.
• Business processes have to be more systematic.
• The younger generation have different outlooks on careers.
• Less staff.
• Always looking to put the right person in the right place.
• More and more emphasis and key to success.
• English as common language will have less advantage.
• Our Detroit offices are likely to merge into one site in 1-2 years.
• Must adapt to younger work force expectations and work habits.
• Local culture is embraced.
• Millennials are not fitting into expected culture and not accepting anything other than what they want.
• Transition to a younger workforce. (2X)
• More use of technology, more automation/efficiency.
• Bringing in new people.
• Over time the identity of the individual companies will no longer be common knowledge.
Current Culture vs. Expected Culture *(work environment, flexibility, autonomy)*

Much consideration is being given to future cultural changes; philosophical and policy

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

**Considerations and Planning:**
- Still under review. (3 similar responses)
- Work on being the employer of choice.
- Key part of our strategic plan.
- Develop modern systems.
- Putting plans in place and changing rapidly.
- Continuous evaluation.
- Adapting accordingly.
- Review pay ranges.

**Philosophy:**
- Each functional leader driving desired cultural elements
- New Vision-Mission-Values from leadership.
- Team building and investing in training to develop skill sets that will enable them to flourish.
- Allow better collaboration between to two offices which should enable a more efficient working environment.
- Mentorship by senior employees transitioning out of major roles.

**Philosophy: (continued)**
- Enhanced cultural engagement.
- We promote one culture, one company and continue until it is the norm.

**Flexibility:**
- Allowing flex-time. (4 similar responses)
- Allowing more time off.
- Mobile work, work from home.

**Hiring/Staffing:**
- Implementing new or more training. (3 similar responses)
- Culture focus during interviews. Not yet sold on tons of non-traditional work environment (e.g. work from home)
- Adding part-time associates where the skills are short and that is what is available. Allowing more associates to work offsite, primarily home.
- Increasing local staff sizes.
- Personality profiling.
Current Culture vs. Expected Culture (work environment, flexibility, autonomy) (continued)
Much consideration is being given to future cultural changes; philosophical and policy

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

Policies:
- Employee surveys, compensation surveys, changes to healthcare plans.
- Consideration of new policies.
- Policy changes.
- Changing our rating systems. Full culture classes for all employees.
- Establishing goals, communicating goals, reviewing goals weekly, monthly, quarterly and annually to verify objectives are met.
- Offering more benefits like health club and food on site.

Physical/Building Changes:
- Update building (2 similar responses)
- Creating new offices in new locations.
- Upgrading lunch/break areas to improve the work environment.
- Open office environment but we struggle with work time flexibility.
- Brand new building with improved set up and facility services.

Other:
- Little to no change. (6 similar responses)
- More use of technology.
- We discuss these impacts but as a smaller company, we don't feel pressure to make significant changes.
- Changing working environment.
- Work environment changes, added social media focus.
### Employment Issues: Regional Growth Expectations

Mexico and Asia/Pacific are expected to grow, as employment requirements ebb in other regions.

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Salary</th>
<th>Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>17%</td>
<td>45%</td>
</tr>
<tr>
<td>Hourly</td>
<td>10%</td>
<td>57%</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>17%</td>
<td>26%</td>
</tr>
<tr>
<td>Hourly</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>Hourly</td>
<td>24%</td>
<td>45%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>Hourly</td>
<td>8%</td>
<td>28%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Hourly</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>South America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>3%</td>
<td>21%</td>
</tr>
<tr>
<td>Hourly</td>
<td>5%</td>
<td>20%</td>
</tr>
</tbody>
</table>

No. of Responses = 84

**Comments**

- Expanding footprint in Mexico will result in higher percent of new employees than U.S. corporate parent.
- Additional hiring will occur with new business in both Mexico and U.S. facilities.
- Expect to use more automation to reduce need for hourly employees.
- Mostly based on production with more labor per head.
### Employment Issues: Shift Operation
Alternate shift scheduling is occurring in the U.S. and Mexico

<table>
<thead>
<tr>
<th>Country</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Not applicable (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>48%</td>
<td>48%</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>6%</td>
<td>35%</td>
<td>59%</td>
</tr>
<tr>
<td>Mexico</td>
<td>36%</td>
<td>41%</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of Production Running on Alternate Schedules</th>
<th>1-25%</th>
<th>26-50%</th>
<th>51-75%</th>
<th>76-90%</th>
<th>91% or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>46%</td>
<td>28%</td>
<td>18%</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Canada</td>
<td>50%</td>
<td>50%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Mexico</td>
<td>43%</td>
<td>32%</td>
<td>19%</td>
<td>6%</td>
<td>0%</td>
</tr>
</tbody>
</table>

* 2016 results indicated that U.S., Canada and Mexico were running alternate schedules as 40%, 9% and 28% respectively

**Comments**
- Certain product lines run 3 8-hour shifts, 5 days. Remaining workers are on 4 day 10-hour shifts.
- Finding people to work off-hours shifts is biggest challenge. Higher wages does not solve issue anymore.

No. of Responses = 79-85
Regional Voluntary Turnover
High turnover rates are a battle across North America, with workers leaving to find higher pay.

Estimate your first half 2017 voluntary turnover rate for salary and hourly personnel

**Salaried Workers**

- **United States**
  - Less than 2.5%: 1%
  - 2.5 - 5%: 6%
  - 5 - 7.5%: 13%
  - 7.5 - 10%: 34%
  - 10 - 15%: 37%
  - 15 - 20%: 8%
  - More than 20%: 1%

- **Canada**
  - Less than 2.5%: 8%
  - 2.5 - 5%: 23%
  - 5 - 7.5%: 27%
  - 7.5 - 10%: 40%
  - 10 - 15%: 6%
  - 15 - 20%: 2%
  - More than 20%: 1%

- **Mexico**
  - Less than 2.5%: 18%
  - 2.5 - 5%: 10%
  - 5 - 7.5%: 17%
  - 7.5 - 10%: 17%
  - 10 - 15%: 11%
  - 15 - 20%: 20%
  - More than 20%: 1%

**Hourly Workers**

- **United States**
  - Less than 2.5%: 5%
  - 2.5 - 5%: 21%
  - 5 - 7.5%: 8%
  - 7.5 - 10%: 21%
  - 10 - 15%: 27%
  - 15 - 20%: 10%
  - More than 20%: 1%

- **Canada**
  - Less than 2.5%: 7%
  - 2.5 - 5%: 24%
  - 5 - 7.5%: 24%
  - 7.5 - 10%: 43%
  - 10 - 15%: 2%
  - 15 - 20%: 2%
  - More than 20%: 1%

- **Mexico**
  - Less than 2.5%: 18%
  - 2.5 - 5%: 17%
  - 5 - 7.5%: 17%
  - 7.5 - 10%: 17%
  - 10 - 15%: 11%
  - 15 - 20%: 20%
  - More than 20%: 1%

**Comments for Salary Personnel**
- Folks are departing for better compensation packages and higher level positions.

**Comments for Hourly Personnel**
- Continue to fight to retain skilled labor as more sensitive to hourly pay and medical insurance costs.
  - High turnover in lower level, lower-pay positions - employees leaving for more pay.
  - Includes temporary turnover.
## Labor Acquisition in North America

Finding technically skilled employees is a universal issue across much of the region.

For those areas where your company is planning to add staff, indicate if you are having trouble finding qualified, available candidates.

<table>
<thead>
<tr>
<th>Position</th>
<th>United States (# of respondents)</th>
<th>Canada (# of respondents)</th>
<th>Mexico (# of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executives</td>
<td>36% (20 of 55)</td>
<td>17% (2 of 12)</td>
<td>50% (13 of 26)</td>
</tr>
<tr>
<td>General Management</td>
<td>44% (30 of 68)</td>
<td>31% (5 of 16)</td>
<td>57% (25 of 44)</td>
</tr>
<tr>
<td>General Administrative</td>
<td>24% (17 of 70)</td>
<td>0% (0 of 17)</td>
<td>26% (13 of 50)</td>
</tr>
<tr>
<td>Engineering</td>
<td>90% (70 of 78)</td>
<td>42% (8 of 19)</td>
<td>75% (38 of 51)</td>
</tr>
<tr>
<td>Technicians</td>
<td>72% (54 of 75)</td>
<td>40% (8 of 20)</td>
<td>81% (44 of 54)</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>50% (35 of 70)</td>
<td>14% (2 of 14)</td>
<td>29% (10 of 35)</td>
</tr>
<tr>
<td>Hourly Production</td>
<td>58% (42 of 73)</td>
<td>14% (3 of 21)</td>
<td>56% (29 of 52)</td>
</tr>
<tr>
<td>Hourly Skilled Trades</td>
<td>77% (57 of 74)</td>
<td>24% (5 of 21)</td>
<td>79% (41 of 52)</td>
</tr>
</tbody>
</table>
Labor Acquisition in North America (continued)

Comments

For those areas where your company is planning to add staff, indicate if you are having trouble finding qualified, available candidates.

United States
- Historically low unemployment in all respective markets is impacting both hourly and salary recruiting.
- It is very hard to get IT support personnel unless you use contract labor.
- Program management.
- Skill trade and manufacturing associates on off shifts.
- Experienced sales and engineering personnel.
- Lack of skills in the marketplace, cost structure.

Canada
- No comments provided

Mexico
- Candidates are more willing to change companies in Mexico.
- Difficult to find English-speaking employees with good experience. Cost and turnover are problems too.
## Critical Position Shortages

Engineering shortages are the most critical across the region

<table>
<thead>
<tr>
<th>Average rating shown; 1=Most Critical to 10=Least Critical</th>
<th>U.S.</th>
<th>Canada</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executives</td>
<td>6.6</td>
<td>8.4</td>
<td>6.6</td>
</tr>
<tr>
<td>General Management</td>
<td>6.4</td>
<td>7.4</td>
<td>5.6</td>
</tr>
<tr>
<td>General Administrative</td>
<td>8.2</td>
<td>9.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Engineering</td>
<td>3.0</td>
<td>5.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Technicians</td>
<td>4.2</td>
<td>6.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>6.4</td>
<td>8.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Hourly Production</td>
<td>5.4</td>
<td>6.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Hourly Skilled Trades</td>
<td>4.4</td>
<td>6.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Comment:
- Smart companies are locking up key employees with long-term incentive packages which makes it hard to attract top talent.
# Filling Open Positions
Lack of qualified candidates is the primary reason that open positions are difficult to fill

## Rate each of the following reasons that you believe prevent you from filling the majority of your open requisitions

<table>
<thead>
<tr>
<th>Reason</th>
<th>U.S.</th>
<th>Canada</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary expectations</td>
<td>4.0</td>
<td>4.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Benefit offerings</td>
<td>6.2</td>
<td>6.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Industry reputation</td>
<td>6.5</td>
<td>6.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Company awareness/reputation</td>
<td>6.3</td>
<td>7.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Perceived work/life balance</td>
<td>6.1</td>
<td>5.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Perceived long-term employment stability</td>
<td>7.5</td>
<td>7.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Position location</td>
<td>6.4</td>
<td>5.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Job responsibilities</td>
<td>6.7</td>
<td>6.6</td>
<td>5.9</td>
</tr>
<tr>
<td>Advancement opportunities</td>
<td>5.7</td>
<td>6.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Lack of qualified candidates</td>
<td>2.7</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Candidates inability to pass drug screening</td>
<td>7.1</td>
<td>7.9</td>
<td>7.8</td>
</tr>
</tbody>
</table>

## Comments:
- Candidates demand salaries that exceed their perceived experience and skills. Candidates are more interested to work on technologies and components that expect radical change due to autonomous.
- Problems with personal responsibility for things like showing up on time ready to work, focusing on work, bringing family drama to work. More personal drama than the retiring generation.
- We are invested in a rapidly changing industry (CE) where ‘long-term’ means the next 18 months.
- Competition for employment in general
**HR Priorities**

Career and succession planning are a strategic business priority; followed closely by leadership and training.

<table>
<thead>
<tr>
<th>Priority Area</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed base compensation</td>
<td>5.0</td>
</tr>
<tr>
<td>Variable compensation (bonuses, incentives)</td>
<td>4.8</td>
</tr>
<tr>
<td>Benefit offerings</td>
<td>5.0</td>
</tr>
<tr>
<td>Work flexibility</td>
<td>5.2</td>
</tr>
<tr>
<td>Career and succession planning</td>
<td>4.0</td>
</tr>
<tr>
<td>Organizational leadership, communication and empowerment</td>
<td>4.4</td>
</tr>
<tr>
<td>Workforce analytics (improve people management decisions, control workforce costs, etc.)</td>
<td>5.6</td>
</tr>
<tr>
<td>Training</td>
<td>4.4</td>
</tr>
<tr>
<td>Policies and regulations related to use of controlled substances</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Average rating shown; 1=Most Important to 10=Least Important

Comments:  
- No comments provided
For next year in the United States, identify how your benefit packages are expected to change compared to this year.

- Employer health care contribution:
  - Increase more than 5%: 11%
  - Increase 1-5%: 39%
  - No Change: 42%
  - Decrease 1-5%: 4%
  - Decrease more than 5%: 8%

- Bonus pools:
  - Increase more than 5%: 6%
  - Increase 1-5%: 29%
  - No Change: 58%
  - Decrease 1-5%: 4%
  - Decrease more than 5%: 4%

- 401(K) match:
  - Increase more than 5%: 11%
  - Increase 1-5%: 87%
  - No Change: 0%
  - Decrease 1-5%: 8%
  - Decrease more than 5%: 0%

- Vacation/PTO days:
  - Increase more than 5%: 12%
  - Increase 1-5%: 86%
  - No Change: 0%
  - Decrease 1-5%: 3%
  - Decrease more than 5%: 3%

- Life insurance packages:
  - Increase more than 5%: 4%
  - Increase 1-5%: 3%
  - No Change: 92%
  - Decrease 1-5%: 3%
  - Decrease more than 5%: 3%

- Company vehicle programs:
  - Increase more than 5%: 10%
  - Increase 1-5%: 78%
  - No Change: 3%
  - Decrease 1-5%: 8%
  - Decrease more than 5%: 3%

- Tuition reimbursement:
  - Increase more than 5%: 5%
  - Increase 1-5%: 13%
  - No Change: 77%
  - Decrease 1-5%: 0%
  - Decrease more than 5%: 0%

- Training (internal, external, certifications, CPE, etc.):
  - Increase more than 5%: 23%
  - Increase 1-5%: 46%
  - No Change: 29%
  - Decrease 1-5%: 0%
  - Decrease more than 5%: 0%

No. of Responses = 78
The OESA Automotive Supplier Barometer is a survey of the top executives of OESA regular member companies. The OESA 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.

- Survey Respondents: An email invitation with a link to our online survey was sent to executive OESA members the first week of July with reminder emails sent the second and third weeks. Data collection ended on July 21.

- Completions: 94 survey responses were collected.

For questions and comments:
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Please note: 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: This survey content is exclusively about historical data, and respondents/participants should not contact each other 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 decisions and negotiating strategies should be handled on an individual company basis.