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COMPETING WITHOUT A NET:

The Future of the Canadian Automotive Industry

Executive Summary



Council for Automotive Human Resources
Conseil des ressources humaines de l'automobile

Leadership. Skills. *Innovation.*

This project is funded by the Government of Canada's Sector Council Program. 

Competing Without A Net: The Future of the Canadian Automotive Industry

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Ce rapport est également disponible en français.

The opinions and interpretations in this publication are those of the authors and do not necessarily reflect the views of the Government of Canada or the Council for Automotive Human Resources.

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Preface

The Council for Automotive Human Resources (CAHR) commissioned a study of the Canadian automotive and vehicle manufacturing industry.

The study focused on three sets of overall objectives, namely:

- To identify and analyze the human resource challenges and requirements for the automotive and vehicle manufacturing sector;
- To obtain a baseline of labour market information that can be used in future sector studies and evaluations of sector programs and project activities; and
- To contribute to a discussion on key human resource issues in the Canadian automotive sector.

The study is forward looking in order to assist the industry to create a common perspective of the future; to understand the existing and emerging human resource issues; and to establish a means of mitigating anticipated challenges while building on the strengths of the sector.

This human resource study of the motor vehicle industry had essentially two parts. Data collection was conducted by LSM Consulting and Decima Research. Analysis was conducted by William Pochiluk (AutomotiveCompass Ltd.), Wayne Lewchuk (McMaster University) and Steve Rodgers (GS Global Solutions Ltd.). Administrative support was provided by AutomotiveCompass Ltd.

This report documents the results of the study.

We wish to express our special thanks to the CAHR Board, the project Steering Committee and the CAHR Staff for their helpful guidance.

Study Scope & Objectives

Within this context, the project goals and outputs are threefold:

1. An assessment of current and future labour demand and labour supply;
2. Assessments of labour supply and formation of an automotive labour market, including training strategies, that will encourage entrants into the sector, develop the skills of those already employed in the sector, and support the formation of an automotive labour market to facilitate the movement of labour within the sector; and
3. An assessment of how human resources policies and practices can contribute to the Canadian Automotive Partnership Council's goals for the sector and in particular, how HR policies can ensure a talented, flexible and innovative workforce.

Coverage and Content

This CAHR study is a national human resource study that includes companies assembling automobiles, trucks and buses; parts manufacturing; and the tooling segments of the automotive industry. It is presented in the full report in eight modules outlined as follows:

Industry Analysis

- An assessment of the current and future environment of the Canadian automotive manufacturing industry
 - Automotive trends, scenarios and outlook for Canada and North America, including light vehicles and medium and heavy duty trucks
 - An assessment of key drivers, enablers and constraints
 - A macro analysis of the implications for human resource requirements in Canada
 - The automotive employment outlook, 2008-2014

Technology and the Canadian Motor Vehicle Industry

- A technology assessment within the context of human resource requirements
 - Technical change and human resource issues
 - The supply chain as a source of value
 - How can HR policies facilitate innovation?

Employment Analysis, Hiring, Skills and Prospects for a Sectoral Labour Market

- Educational qualifications of new hires and of the current workforce
- Demographic characteristics of the current workforce
- Skill levels of the current workforce
- Transferability of skills acquired and the potential benefits of a sectoral labour market
- An assessment of the management strengths and weaknesses between and among levels of management.

Skill Demand and Supply Forecast

- An assessment the supply and demand for skills in the motor vehicle industry
 - Current and future supply and demand for new employees
 - Current and future supply of skills from the current workforce
 - Identification of traditional and non-traditional sources of employees
 - An assessment of future skills requirements and skill mix.

Recruitment and Retention

- An identification of the compensation and benefits for each occupation broken down by sub-sector
- An identification of key workforce recruitment issues
- An identification and assessment of current retention strategies

Training and Development

- An assessment of the training environment in the motor vehicle industry
 - The training culture, current levels and types of training, future training needs, and the ability of employers and educational institutions to meet these needs

Synthesis and Recommendations

- Recommendations to increase the amount of training, enhance skills capacity and reduce the training deficit
- Recommendations to improve the effectiveness of training in the sector
- Recommendations to develop a sectoral labour market
- Recommendations to promote Canadian motor vehicle supply chains and economic clusters
- Recommendations to encourage new models of workplace relations
- Recommendations for transitional labour adjustment programs.

Summary

- An overview of the research findings.

Industry Analysis

The automotive industry is Canada's largest manufacturing sector, accounting for 14 percent of manufacturing GDP and 23 percent of manufacturing trade in 2007. Vehicle production totalled 2.6 million units. Canada employed over 150,000 people in automotive assembly and parts manufacturing.

As noted by the Canadian Automotive Partnership Council (CAPC)¹ in 2004, the key drivers and enablers affecting Canadian automotive investment, production and employment have historically included:

- Three primary cost drivers: labour costs, health care costs and exchange rates; and
- Nine sets of enablers: a stable business environment, manufacturing quality, productivity, a skilled and competent work force, a positive work ethic, resource availability, infrastructure, a strong supply-base and corporate taxes.

Consequently, Canada earned high volume and a particularly strong product mix.

Canada's competitive advantage has diminished substantially and rapidly. Four sets of contributing factors on the cost side are significant:

- Cost pressures from global vehicle manufacturers – both extreme and unrelenting;
- Competitive initiatives – both cost and investment – from the Southern U.S., Mexico and Asia;
- The strength of the Canadian dollar; and
- Transformational new labour agreements in the U.S. – providing varying levels of product/assembly and employment guarantees, changes in work rules, and labour cost reductions that are likely to put Canadian vehicle assembly and parts manufacturing at a disadvantage.

Individually and collectively, these factors have contributed to the erosion of Canada's relative competitiveness. Viewed in a global or regional context, Canada's competitive position continues to decline. In fact, the long-term viability of the Canadian automotive industry is in question. The ability to compete on a global level has been undermined by a host of factors. To compete regionally or globally, Canada needs to be perceived as better than its rivals. This has major

¹ Canadian Automotive Partnership Council, [A Call to Action](#), October 2004.

implications for Canada, its manufacturing sector, employment and HR practices to build and sustain competitiveness.

It is important to note that the CAPC performance metrics detailed in their 2004 recommendations have significantly fallen short of the stated goals. Vehicle assembly, component shipments, employment and automotive trade have all performed well below target.

From a forward looking standpoint, Canada faces a number of issues that will “squeeze” and limit performance in the automotive sector, ultimately constraining automotive employment in Canada.

Three sets of factors will be key influencers:

1. Limited Growth Prospects

North America is a low-growth region. Attracted by profit potential, investment funding (i.e., both greenfield and expansion) is focused on high growth areas – for example: Asia, East Europe and South America. Significant short- and mid-term growth in North American may be limited to Mexico.

New and replacement investment will need support/incentives/cost advantages to justify retention of facilities and modernization of existing assets.

2. Labour Agreements

The 2007 labour agreements in the U.S. provided health care cost realignment, plus product/assembly and employment guarantees in exchange for two-tier wages.

The U.S. successfully regained lost competitive advantage. Canada will need to work hard to retain what it has.

3. The Mexico Factor

Mexico is becoming the preferred North American country for strategic investment related to fuel efficient small cars and powertrains, with related supplier clustering effects.

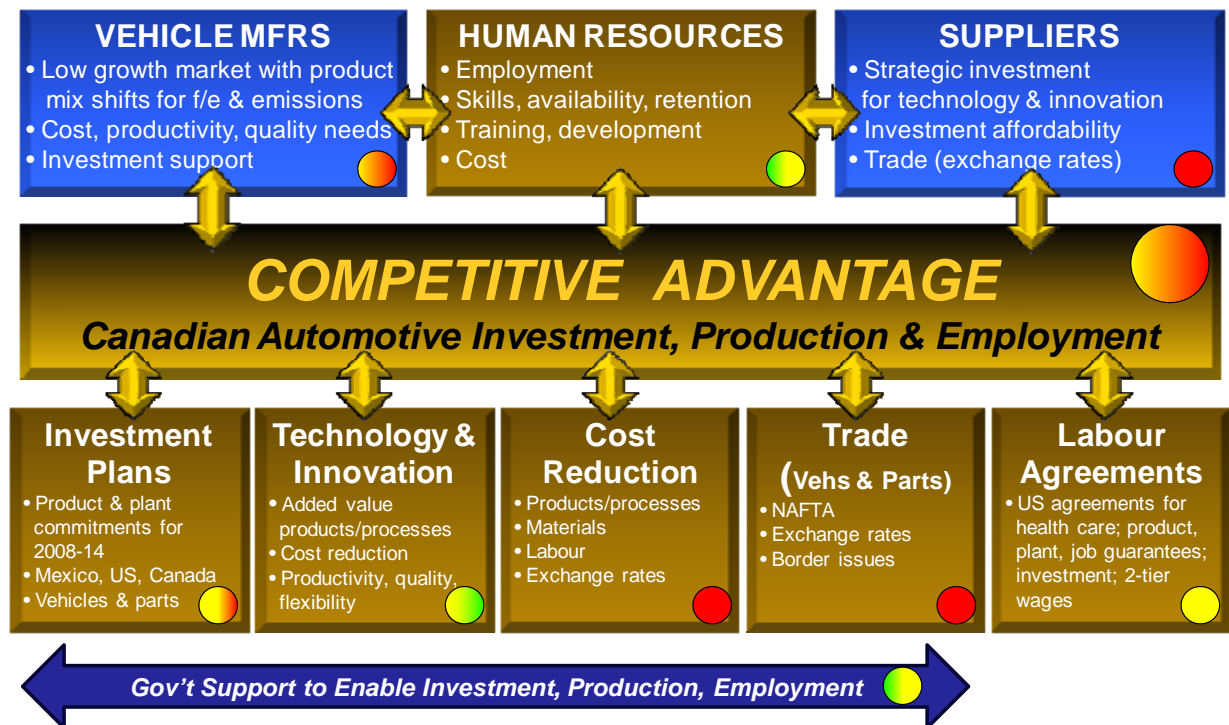
Response to the new U.S. fuel economy and emission regulations will be reflected in a substantial build-up of small car capacity in Mexico. Small car production in Mexico will almost triple by 2014. (Note: this includes known committed investment. More is likely.)

Furthermore, by early next decade Mexico will surpass Canada as the second largest producer of light vehicles in North America.

The following graphic summarizes the key planning issues using a set of colour coded diagnostics where green is good/positive, yellow is uncertain or in transition, and red is bad/negative.

The Future of Canada's Auto Industry

Key Drivers, Enablers & Constraints



Overall, human resources are Canada's most positive factor now, but there is concern for deterioration in this key enabler in response to the lack in investment (training, development and retention) and slow and inadequate response to growing problems related to future skill level requirements and worker availability.

Canada's historic strengths have caused the Detroit 3 to invest and re-invest in Canada. The growing footprints of Honda and Toyota also confirm Canada's core strengths. The challenge in 2008 and beyond is to retain the prevailing investments and jobs. Portfolio adjustment at the Detroit 3, particularly as it relates to product mix shifts and the Mexico factor, is a clear risk faced by Canada. Canada may lose strategic automotive investment, particularly next generation vehicle platforms and related suppliers. These investments are "sticky" – once they move to a new jurisdiction they are lost for at least six years, or perhaps will never return.

Trade issues, especially exchange rates and the competitive advantage Mexico has gained from NAFTA, are worrisome. The employment impact on Canadian suppliers is already being felt. Reversing this trend will be difficult.

The unrelenting pressure for cost reduction and productivity improvement places added risk on Canada relative to its neighbours to the south. Core competitive advantage will rely on technology and innovation investment, including HR being treated with the same priority as R&D. It is insufficient to match other initiatives. We must be better.

It should be noted that historically, provincial governments in Ontario and Quebec and the federal government have been active helping the Canadian automotive industry to invest in its future. Support for technology and innovation is making a positive difference. Ultimately, investment in technology and innovation is the only sustainable answer to increasing and sustaining Canada's competitiveness.

It is also clear that the Canadian Auto Workers union has been a constructive force in the industry, directly and through its participation in CAPC and other forums. It is important that the 2008 union negotiations find a balance between assembly/job guarantees and wage rates to keep Canada competitive. The labour situation is tenuous and the declining trend in automotive employment will place added pressure on all participants.

Canada has enjoyed past success in the automotive sector and that success has been a strategic building block for the Canadian economy. On a net basis, however, past competitive advantage has been seriously diminished.

Overall, automotive manufacturing jobs declined by 11% from the 2000 peak. A further decline of 7-12% is likely, dropping to the 134,500 to 141,500 range. Automotive parts manufacturing employment has the most vulnerability. The gap between vehicle assembly and parts employment will be compressed by 10-19%.

Employment Forecast

Motor Vehicle Manufacturing: Vehicles, Truck Body & Trailer, Parts

Year	Canadian Automotive Employment					Memo: Cdn Automotive Production
	Vehicle Mfg	Trk B & T Mfg	Parts Mfg	Total	Gap: Parts - Veh Mfg	
1991	53,298	9,699	65,416	128,413	12,118	1,887,422
1992	52,571	11,164	63,303	127,038	10,732	1,972,977
1993	54,623	9,791	67,891	132,305	13,268	2,253,139
1994	56,200	11,740	72,542	140,482	16,342	2,321,539
1995	56,051	12,241	77,130	145,422	21,079	2,407,999
1996	57,508	13,659	80,211	151,378	22,703	2,397,211
1997	54,525	15,926	81,127	151,578	26,602	2,570,353
1998	57,687	17,685	87,281	162,653	29,594	2,570,321
1999	56,913	17,533	93,175	167,621	36,262	3,056,983
2000	55,712	18,116	98,154	171,982	42,442	2,963,097
2001	53,205	18,558	98,894	170,657	45,689	2,534,851
2002	52,038	17,421	96,803	166,262	44,765	2,633,301
2003	49,971	17,829	98,334	166,134	48,363	2,553,666
2004	50,114	17,896	97,342	165,352	47,228	2,711,536
2005	49,808	18,212	96,540	164,560	46,732	2,688,093
2006	47,460	18,528	92,315	158,303	44,855	2,572,312
2007	47,423	17,785	87,332	152,540	39,909	2,579,489
2010-14 Planning Range	44,000	17,500	80,000	141,500	36,000	
	42,500	17,000	75,000	134,500	32,500	2,600,000

Source: Statistics Canada, Survey of Employment, Payrolls and Hours (history) and AutomotiveCompass Ltd. (outlook)

The CAPC target of automotive employment of at least 150,000 jobs is not likely to be achieved without a positive set of initiatives to rebuild Canada's competitive advantage.

The future of the Canadian automotive industry, although not particularly robust within the context of the current circumstances, will be determined by its ability to redevelop competitive advantage. Innovation and technological change become the gateway to survival and growth.

The proposed recommendations outlined here provide a starting point for the survival and growth of the high-impact Canadian automotive industry.

Recommendations - Industry Analysis

Building Sustainable Competitive Advantage

A core framework to build sustainable competitive advantage in Canada's automotive industry

Government incentives for creating and developing automotive innovation, including both R&D and HR innovation

Government incentives and creative solutions, for example: for plant and equipment; and "green" products and processes

Funding support for suppliers facing financial constraints from traditional sources of capital

Approaches to encourage partnerships to form and strengthen supply chains and reduce risk

Approaches to removing costly barriers (for example, related to border issues, regulation harmonization, etc.)

Simplification of the various government programs available to support the automotive industry

Importantly, these proposed initiatives are aimed at giving the industry the tools to redevelop its competitive advantage.

Recommendations Overview

The study's proposed recommendations are summarized here. The analysis framework includes the following considerations and structure:

- Recommendation category;
- The challenges that lead to the proposed recommendations;
- The expected outcome in the absence of corrective HR action;
- Action steps;
- Priority level;
- Action type;
- Action lead;
- Time horizon for action and impact; and
- Strategic considerations specific to the research findings and recommendations

It should be clearly understood that these proposed actions are derived from the research findings. Also, this framework is the initial step in facilitating discussion on potential actionable recommendations. The various stakeholders (i.e., OEMs, suppliers, unions, federal government, provincial governments, trade associations and councils) need to participate in the next phase, with emphasis on shared objectives, consequences (with and without action) and a cost-benefit analysis of the various elements.

Overall, it should also be remembered that the goal is to facilitate the transformation of the Canadian automotive sector to become a formidable global competitor, and fulfill the CAPC goal "To ensure that a talented, flexible and innovative workforce remains a core Canadian automotive strength."

Action Recommendation: Provide the conditions that encourage vehicle assembly plants to locate in Canada.

The challenge(s): As vehicle assemblers have shifted production responsibilities to parts manufacturers, supply chains have become important sources of employment and value creation. There is a need to establish a collaborative framework to develop and refine Canadian automotive supply chains and economic clusters. This strategy will be most successful if vehicle assembly plants can be encouraged to locate in Canada. Survival of the auto industry may depend on this.

The expected outcome in the absence of corrective action: Canada may lose strategic automotive investment, particularly next generation vehicle platforms and related suppliers. These investments are “sticky” – once they move to a new jurisdiction they could be lost for at least six years, or perhaps will never return.

Action steps: Establish conditions that make Canada an attractive location for vehicle assembly including access to critical supply chains.

Priority level: High

Action type: Promote Canadian automotive supply chains and economic clusters

Action lead: Federal and provincial governments; CAPC

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Assembly plants not only provide direct employment; they also encourage a range of different types of firms to locate in close proximity to assembly plants. Provincial and federal programs need to target vehicle manufacturers to attract and retain automotive capacity in Canada.

Action Recommendation: Encourage government support for the sector and encourage collaboration between firms.

The challenge(s): As vehicle assemblers have shifted production responsibilities to parts manufacturers, supply chains have become important sources of employment and value creation. There is a need to establish a collaborative framework to develop and refine Canadian automotive supply chains and economic clusters. Survival of the auto industry may depend on this.

The expected outcome in the absence of corrective action: Deterioration in the Canadian automotive industry's competitiveness.

Action steps: Establish a collaborative framework to develop and refine Canadian automotive supply chains and economic clusters

Priority level: Medium to High

Action type: Promote Canadian automotive supply chains and economic clusters

Action lead: Federal and provincial governments; CAPC

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Many of the firms in Canada either lack profits to support new investment or lack control over whether investment is made in Canada. CAHR needs, at a minimum, to work with governments to help sector firms ensure they have access to funds to make strategic investments. The issue of improved inter-firm collaboration and a more cooperative approach within the sector warrants serious focus. Future research could help to clarify the possibilities and reveal ways in which this cooperation could be fostered to enhance the overall competitiveness of the Canadian industry.

Action Recommendation: Research into new products and processes needs to be supported.

The challenge(s): As vehicle assemblers have shifted production responsibilities to parts manufacturers in a supply chain, the success of individual firms is increasingly based on access to research on new products and processes

The expected outcome in the absence of corrective HR action: Lack of highly qualified personnel to make Canada a more attractive investment location.

Action steps: Encourage research into new products and processes (for example, high impact “green” technologies). Partnerships across firms or research enterprises (e.g., AUTO21, NRC) could be productive.

Priority level: Medium to High

Action type: Promote Canadian automotive supply chains and economic clusters

Action lead: Federal and provincial governments

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: There are some who argue that Canada can move from being a producer of vehicles and components to a research hub for new products and process while production is done off-shore. There was little evidence in the field research that this was a possibility. There is still a need for R&D but it needs to be targeted to support supply chains and production clusters where Canada has a reasonable expectation of attracting investment. Research into new products will likely be critical to the continued success of the Canadian bus sector.

Action Recommendation: Create capacity for Canadian firms to compete in global supply chains.

The challenge(s): As vehicle assemblers have shifted production responsibilities to parts manufacturers in a supply chain, new opportunities have been created for Canadian parts manufacturers to serve global markets.

The expected outcome in the absence of corrective action: Deterioration in the Canadian automotive industry's competitiveness.

Action steps: Encourage research into new products and process (for example, high impact "green" technologies) with global implications. Partnerships across geographies could be productive.

Priority level: Medium

Action type: Promote Canadian automotive supply chains and economic clusters

Action lead: Federal and provincial governments

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Supply chains are expanding geographically as regions (such as China and India) develop their own vehicle markets and production capacity. Successful parts manufacturers are increasingly firms that can serve assemblers in multiple geographic regions. Programs are needed to support Canadian firms interested in developing a global footprint. As well as direct support how this can be done, the government needs to level the trade playing field and open foreign markets to Canadian firms equivalent to their access to our markets. A number of Canadian parts manufacturers have already moved in this direction. Others need to be encouraged to do the same.

Action Recommendation: Develop and launch a clearing house for automotive labour supply and demand.

The challenge(s): As investment in human capital becomes more critical to maintaining a competitive advantage, fluctuations in workforce levels can lead to significant losses of HR investments.

The expected outcome in the absence of corrective HR action: Significant losses of investments in HR in the automotive sector; permanent migration of labour to other sectors; fewer qualified entrants.

Action steps: Establish an on-line, automotive-specific labour market that could match buyers and sellers of labour.

Priority level: High

Action type: Develop a sectoral labour market

Action lead: CAHR

Time horizon for action and impact: Short-term, mid-term and long-term

Strategic considerations: There are no sector specific mechanisms for bringing together buyers and sellers of automotive labour and evidence collected during the study suggested that many firms rely heavily on traditional advertising in local papers when recruiting labour. CAHR could effectively fill this void and increase general awareness of employment opportunities in the sector. As a signalling device, this could improve the flow of qualified workers within the sector and reduce the migration of skilled workers to other sectors.

The automotive supply and demand data from this activity would be an ideal source of planning information for employers, education institutions and government, helping to measure and prioritize gaps and build efficient action steps.

A model for this sort of activity could be Eco Canada which promotes environmental careers in Canada (<http://www.eco.ca/Portal/default.aspx>).

Action Recommendation: Promote the benefits of employment in the vehicle manufacturing industry.

The challenge(s): The research showed that there was some concern that the best students were not making the motor vehicle sector their first choice for employment. There were many reasons given for this including the perception that the industry is contracting and that other sectors are more “fashionable” to young people.

The expected outcome in the absence of corrective HR action: Permanent migration of labour to other sectors; fewer qualified entrants.

Action steps: Advocate for the career benefits of working in the automotive industry. For example: education forums (e.g., conferences), seminars, preparation of communication materials (e.g., videos, website activities and materials).

Priority level: Medium

Action type: Develop a sectoral labour market

Action lead: CAHR

Time horizon for action and impact: Short-term, mid-term and long-term

Strategic considerations: Young people need a better understanding of the benefits of working in the sector and the characteristics of many of the positions in the sector, particularly those positions requiring advanced education. CAHR could effectively conduct such an education campaign.

Action Recommendation: Develop industry-specific certificates to recognize the skills acquired by employees.

The challenge(s): As investment in human capital becomes more critical to maintaining a competitive advantage, fluctuations in workforce levels can lead to significant losses of investments in training. Changing demographics almost certainly mean tighter labour markets in the future so that short-term fluctuations in workforce levels may result in permanent migration of labour to other sectors. The perceived instability in the industry today may discourage some qualified new employees from seeing the sector as desirable from a career perspective.

The expected outcome in the absence of corrective HR action: Significant losses of investments in HR in the automotive sector; permanent migration of labour to other sectors; fewer qualified entrants.

Action steps: Develop certificates that would recognize investments in human capital.

Priority level: High

Action type: Develop a sectoral labour market

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: CAHR could continue to demonstrate a leadership role in this area. Outside of post-secondary education (including trades, colleges and universities), there is no mechanism for recognizing the skills employees acquire through working in the industry. Industry-specific certificates could validate that an employee has the skills sets needed to contribute to productivity and innovation. A certification system could also facilitate labour mobility in response to shifts in market demand and supply contracts.

Certificates could also create templates for the kinds of training employers in the sector would be encouraged to provide. This has the potential to raise the overall standard of skills in the sector, improve the transferability of skills within the sector and reduce the migration of skilled workers to other sectors.

Action Recommendation: Encourage the training of engineers and other highly qualified personnel.

The challenge(s): As vehicle assemblers have shifted production responsibilities to parts manufacturers in a supply chain, their success is increasingly dependent on access to highly qualified personnel.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness

Action steps: Universities and colleges need to be encouraged by the industry to provide the necessary trained personnel

Priority level: High

Action type: Develop a sectoral labour market

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Attracting vehicle assemblers and supporting parts manufacturers will lead to employment in Canada, but not necessarily high paying jobs particularly in the parts sector where there is some danger that future employment could be low paid and marginal. Successful parts manufacturers need to have a capacity both to design and develop new products and to manage sophisticated production technologies. Having an ample supply of highly qualified engineers, technicians, human resource specialists, logistic experts and skilled trades personnel will make Canada a more attractive location for investment and in particular investment that will lead to stable high paying jobs. Universities and colleges need to be encouraged by the industry to provide the necessary trained personnel.

Action Recommendation: Adopt transitional labour adjustment programs.

The challenge(s): Over the next few years, there will be significant dislocation in the Canadian automotive manufacturing industry.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths.

Action steps: Encourage adjustment programs to facilitate labour mobility by retraining workers for other jobs in the sector and to accommodate a near-term reduction in the size of the sector's workforce.

Priority level: High

Action type: Transitional labour adjustment programs

Action lead: CAHR; Federal and provincial governments

Time horizon for action and impact: Short-term and mid-term

Strategic considerations: A number of firms have already announced closures and the pressures described in this report suggest that the next few years are likely to be difficult years for the sector.

Action Recommendation: Develop tools to evaluate the need for training and its effectiveness.

The challenge(s): Many firms have only a basic understanding of their training needs or the returns from training. Effectiveness of formal and informal training in the automotive sector needs to be improved.

The expected outcome in the absence of corrective HR action: Low priority given to effective employee training; wasted training investment; deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths.

Action steps: Evaluate train-the-trainer programs that will allow employees to develop their training skills and to improve the quality and effectiveness of informal training in the sector.

Disseminate effective industry or other notable practices to industry, assisting companies to learn from each other. The potential of new learning technologies needs to be evaluated.

Encourage companies to record training activities in a standard format. Create templates for measuring available skills sets and develop a checklist for evaluating training offerings. This could include advising companies to look for such things as clear learning objectives, evidence of adult learning principles, on the job training transfer techniques, and evaluation methodologies.

Priority level: High

Action type: Training

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: CAHR is best positioned within the industry to provide support, tools and communication among all firms within the sector. CAHR could assume a stronger leadership role in this area.

By developing tools to evaluate the need for training and its effectiveness, this information should assist organizations to build quality training, depending upon their needs.

Action Recommendation: Encourage supply chain learning opportunities.

The challenge(s): As investment in human capital becomes more critical to maintaining a competitive advantage, fluctuations in workforce levels can lead to significant losses of investments in training.

The expected outcome in the absence of corrective HR action: Significant losses of investments in HR in the automotive sector; permanent migration of labour to other sectors

Action steps: Encourage and promote supply chain learning opportunities.

Priority level: Medium

Action type: Develop a sectoral labour market

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Despite the lack of initiatives in this area currently, there is interest and potential in pursuing supply chain learning in the sector. While there are a number of challenges, CAHR, as an objective third-party with industry expertise is in an ideal position to sponsor and promote these opportunities. It could bring together representatives of firms in a supply chain to identify areas of common interest. One project could be how to tackle the issues of the number of sponsored apprenticeship positions and the low completion rates for apprentices. Firms that make up a supply chain may have a collective interest in increasing the number of apprentices and be willing to pool resources and cooperate to make this happen.

Action Recommendation: Develop curriculum to meet the specific needs of the vehicle manufacturing industry.

The challenge(s): Reduce the cost of training and increase its effectiveness through the development of a common sector-wide curriculum.

The expected outcome in the absence of corrective HR action: Low priority given to effective employee training; wasted training investment; deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths.

Action steps: Review the "Auto Manufacturing Foundations Certificate Program for relevance in the current environment. Development of curriculum for training supervisors should be a priority.

Priority level: High

Action type: Training

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: CAHR should assume a stronger leadership role in this area. This is likely to be especially attractive to small firms, but a number of large firms indicated an interest in common curriculum as well.

Action Recommendation: Create tax incentives for employers investing in human capital.

The challenge(s): Increase the amount of training, enhance skills capacity and reduce the training deficit. If firms stop investing in human capital, it is unclear where the future workforce needed to sustain the industry will be sourced.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths. **Recognition of HR innovation, like R&D technology-based innovation, is a core investment in Canada's automotive future.**

Action steps: Change the tax code to offer more incentives for employers who provide training to their employees. These changes should encourage as many firms as possible to engage in training and should be flexible enough to include all types of training.

Priority level: High

Action type: Tax code changes to increase the amount of training, enhance skills capacity and reduce the training deficit

Action lead: Federal and provincial governments

Time horizon for action and impact: Short-term, mid-term and long-term

Strategic considerations: Current incentives alone are insufficient to produce the amount of training needed in the sector and they are too narrowly focused. Tax incentives are needed to encourage more training and a broader range of training activities.

One option would be to oblige employers to engage in training through a compulsory tax levy such as the Quebec training tax. An alternative tax strategy would give employers an incentive to engage in training by allowing employers to deduct double the cost of training from future revenues and to allow these credits to be carried forward as much as ten years to recognize that training today may have a long-term payoff.

Action Recommendation: Offer direct grants for employer training where the employer captures few of the direct benefits.

The challenge(s): Increase the amount of training, enhance skills capacity and reduce the training deficit. If firms stop investing in human capital, it is unclear where the future workforce needed to sustain the industry will be sourced.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths.

Action steps: Offer grants to provide some types of training, where the employer captures few of the direct benefits. Examples: support for co-op education; some apprentice training costs; investment in basic skills.

Priority level: Medium

Action type: Grants for employer training

Action lead: Federal and provincial governments

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: Such grants could also be used to shape workplace training cultures by requiring firms to conduct a proper needs assessment, to develop a training plan, and to establish a training committee to allow their employees to have a voice in designing training initiatives before qualifying for these grants.

Action Recommendation: Advocate the value of training to the vehicle manufacturing industry.

The challenge(s): Increase the amount of training, enhance skills capacity and reduce the training deficit. If firms stop investing in human capital, it is unclear where the future workforce needed to sustain the industry will be sourced.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness and its historical labour strengths.

Action steps: Advocate for the benefits of good quality learning and development within the sector. For example: public forums (e.g., conferences), seminars, preparation of communication materials (e.g., videos, website activities and materials), support and release of auto sector HR research.

Priority level: Medium to High

Action type: Professional quality communications to automotive employers and employees

Action lead: CAHR

Time horizon for action and impact: Short-term, Mid-term and long-term

Strategic considerations: Organizations have different views of the benefits of training, based on their own, and often varied, experiences. CAHR is in a leadership position to communicate the positive benefits of training investment to both employees and employers.

Action Recommendation: Advance new models of workplace relations.

The challenge(s): From a competitive advantage perspective, reliance on skills is no longer sufficient as an economic strategy. Other jurisdictions have equally talented workforces as those in Canada. The survival of the industry will likely require new ways of working and these will have to emerge through dialogue between workplace parties.

The expected outcome in the absence of corrective HR action: Deterioration in the Canadian automotive industry's competitiveness.

Action steps: Encourage the collective skill of the workplace and how employees work together as a differentiating factor.

Priority level: Medium to High

Action type: Promote new models of workplace relations

Action lead: CAHR

Time horizon for action and impact: Mid-term and long-term

Strategic considerations: What can be a differentiating factor is the collective skill of the workplace and how employees work together. This will require a healthy workplace culture, one that gives voice to more employees, provides the conditions for a productive social environment where people get along, enhances the health of all involved, allows employees to be consulted and to contribute their ideas. A number of firms in the study recognized the importance of a healthy workplace culture and have taken steps to transform the relationship between employers and employees. They report moving from a hierarchical command and control model of workplace culture to a more participatory model. A number of workplaces have revised their collective agreements to facilitate some of these changes.

CAHR is ideally suited to explore what these new workplace relationships might look like and to communicate examples of successful transition as well as where change has been less effective.

Synthesis

Relative to the study's proposed HR action recommendations summarized above, the following graphic highlights the proposal for CAHR becoming an “*HR Centre of Excellence*”.

Of the sixteen action recommendations, CAHR is the proposed lead group in nine. In one additional area, CAHR shares the lead activity.

From an increased competitiveness standpoint, CAHR is best positioned within the automotive manufacturing sector to provide HR support, tools and communication among all firms and government activities. CAHR could and should assume a stronger HR leadership role. Again, the key issue is increasing competitiveness of the auto sector.

Action Recommendations by Lead Group

CAHR An HR Centre of Excellence	Action Recommendations	Government Federal & Provincial
	Vehicle Assembly Plants in Canada	✓
	Government Support & Collaboration Between Firms	✓
	Research Into New Products & Processes	✓
	Competing in Global Supply Chains	✓
✓	Clearing House for Auto Labour Supply & Demand	
✓	Advocate Benefits of Employment in Industry	
✓	Industry Specific Certificates	
✓	Training of Highly Qualified Personnel	
✓	Transitional Labour Adjustment Programs	✓
✓	Tools to Evaluate Training Needs & Effectiveness	
✓	Supply Chain Learning Opportunities	
✓	Auto Specific Curriculum	
	Tax Incentives for HR Investment	✓
	Grants for Employer Training	✓
✓	Advocate Value of Training	
✓	New Models of Workplace Relations	

Given the critical need for innovative HR practices within the Canadian automotive industry, CAHR could make an important positive difference in the efficiency and effectiveness of the sector's HR activities. As such, it is recommended that CAHR be resourced and organized to be Canada's Automotive HR Centre of Excellence. This includes integration, coordination and strategic operations, in addition to its role as a research coordinator.

Government activity as it impacts HR in the automotive manufacturing sector is best suited to financial support (i.e., innovation (products, processes and HR), OEM assembly operations, removal of barriers to success, transitional adjustment programs and HR-related research), integration and coordination of activities driving investment in the sector.

The study title speaks to the risk factors the Canadian automotive industry faces. Rebuilding sustainable competitive advantage will require significant government support – both federal and provincial – to enable investment, production and employment.

A Final Comment

CAHR is the intersection where vital “flows” of information and funding (both private and public) need coordination to improve both market efficiency and effectiveness. The trends pointing to Canada's reduced competitiveness need to be reversed. The HR recommendations put forth here can:

- Promote Canadian motor vehicle supply chains and economic clusters;
- Support the development of a sectoral labour market;
- Increase the amount of training, enhance skills capacity and reduce the training deficit;
- Improve the effectiveness of training in the sector;
- Provide for transitional labour adjustment programs; and
- Encourage new models of workplace relations.

CAHR can facilitate the transformation of the Canadian automotive sector to become a formidable global competitor, and fulfill the CAPC goal “To ensure that a talented, flexible and innovative workforce remains a core Canadian automotive strength.”

Appendix I: Research Methodology

The core of the research was drawn from a series of case studies and two surveys: one of employees at case study firms and the other a national survey of senior managers. Several other data collection strategies were employed including a CEO survey and a focus session with labour representatives. The different data collection strategies are listed below.

- Case studies
- Employer survey
- Employee survey
- CEO survey
- Labour representative focus session
- Value chain focus interviews
- Interviews with HR industry representatives
- Survey of academic institutions

All survey instruments were designed by the research team and then reviewed by the steering committee to ensure the final product was directed at the issues, used industry appropriate language, and reflected the committee's and stakeholders' interests.

Appendix II: Study Participation

Case study participants in the study included the following:

Algonquin Automotive
Arrowhead Industries Corporation
Chrysler Canada Inc.
Dofasco Tubular Products
Dortec Industries/Magna International
Dura Automotive Systems
Ford Motor Company of Canada
General Motors of Canada
Moules Industriels
Navistar International
Nemak of Canada Corporation
New Flyer
Talfourd-Jones Inc.
Toyota Motor Manufacturing Canada Inc.
Trillium Metal Stamping
Valiant Machine & Tool Inc.
Vehcom Manufacturing/Linamar Corporation
Wallaceburg Preferred Partners (WPP)
Waterville TG Inc.
Windsor Mold Inc.
Woodbridge Foam Corporation