

# Automotive News

## Supply base set for comeback dogged by labor needs

When the rebound in vehicle demand arrived in late 2020, it wasn't the return-to-normal moment that automakers and suppliers had anticipated.

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To industry expert Laurie Harbour and others, the challenge that complicated the supply world more than any other in 2020 was the quest for talent.

The unexpected bounce back in vehicle demand that occurred during the pandemic could have been the return-to-normal moment that automakers and suppliers were hoping for — if only they could find enough people to do the work.

Instead, a lack of willing-and-able workers hobbled the supply base's return, said Harbour, CEO of the suburban Detroit auto manufacturing consultancy Harbour Results Inc.

The production cuts that caused revenue dips across the board at the industry's largest suppliers last year continue to be a factor in 2021.

"None of us could have predicted that we would have seen such a quick return to car sales," Harbour told *Automotive News*. "It drove this massive demand on suppliers — almost like shoving 100 pounds into a 50-pound bag — in the back half of the third quarter and fourth quarter."



The ongoing search for talent is complicated by the lingering global health crisis, which continues to make some workers reluctant to report for duty, as well as an increase in unemployment benefits and the availability of more competitive wages elsewhere. The result has been a significant manufacturing worker shortage in recent months.

"It's not that we didn't have labor problems before," Harbour said, "but we now started competing with unemployment. For a lot of the smaller suppliers that support these big Tier 1 suppliers, starting wages are \$11, \$12, \$13 an hour. All of a sudden, now people could stay home and make the equivalent of \$15 an hour.

"The big guys could afford to pay people \$18, \$19, \$20 an hour," she added. "If you were in a little shop, you couldn't compete even with your customer."

Now, Harbour said, the manufacturing labor pool is being wooed by job openings at Amazon and fast food restaurants that pay \$12 to \$14 an hour.

Supplier "labor costs have gone up significantly because of the labor shortage," said Marcus Hudson, executive director of Calderone Advisory Group. "They can't get product out the door because of [microchip] shortages, and because they have labor issues.

"Those have caused the supply base not to be nearly as stable as it should be at this point."