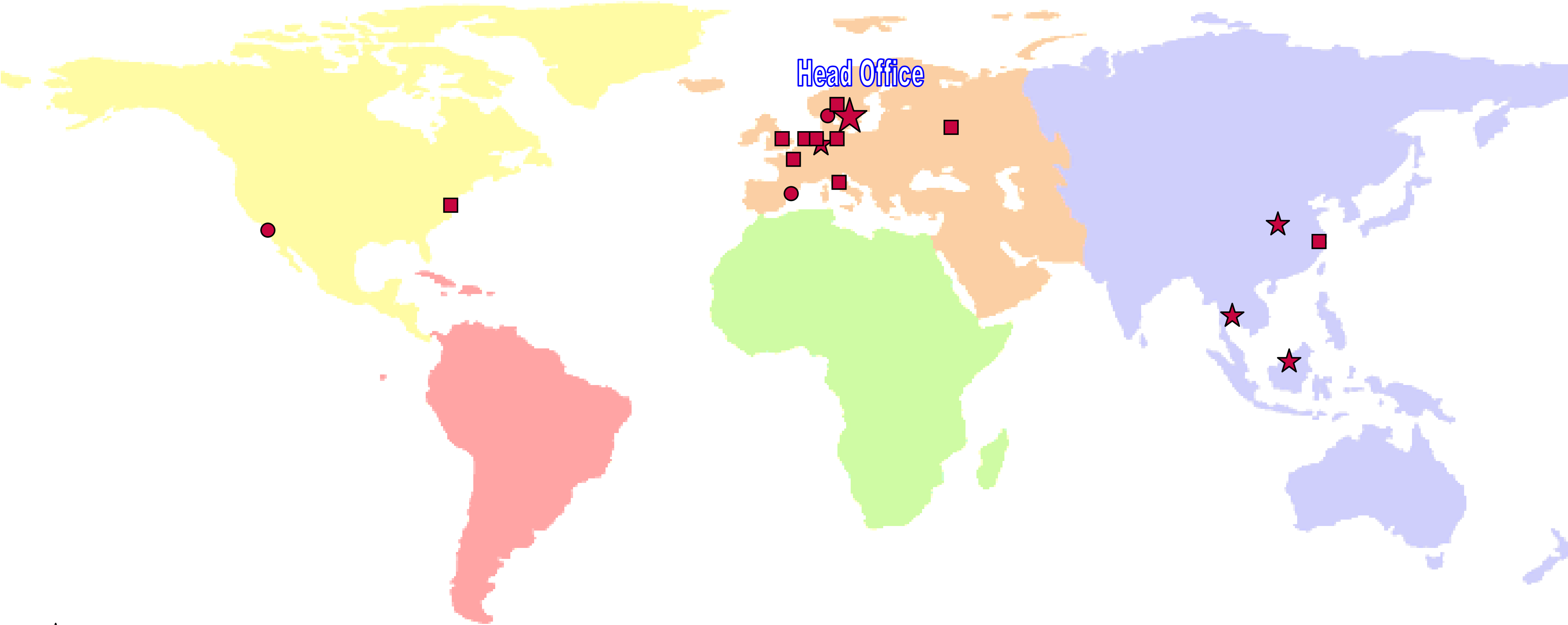
Future demand for skills and competencies in the automotive industry

Björn Sällström
Senior Vice President Human Resources
Volvo Car Corporation

Volvo Cars in the world



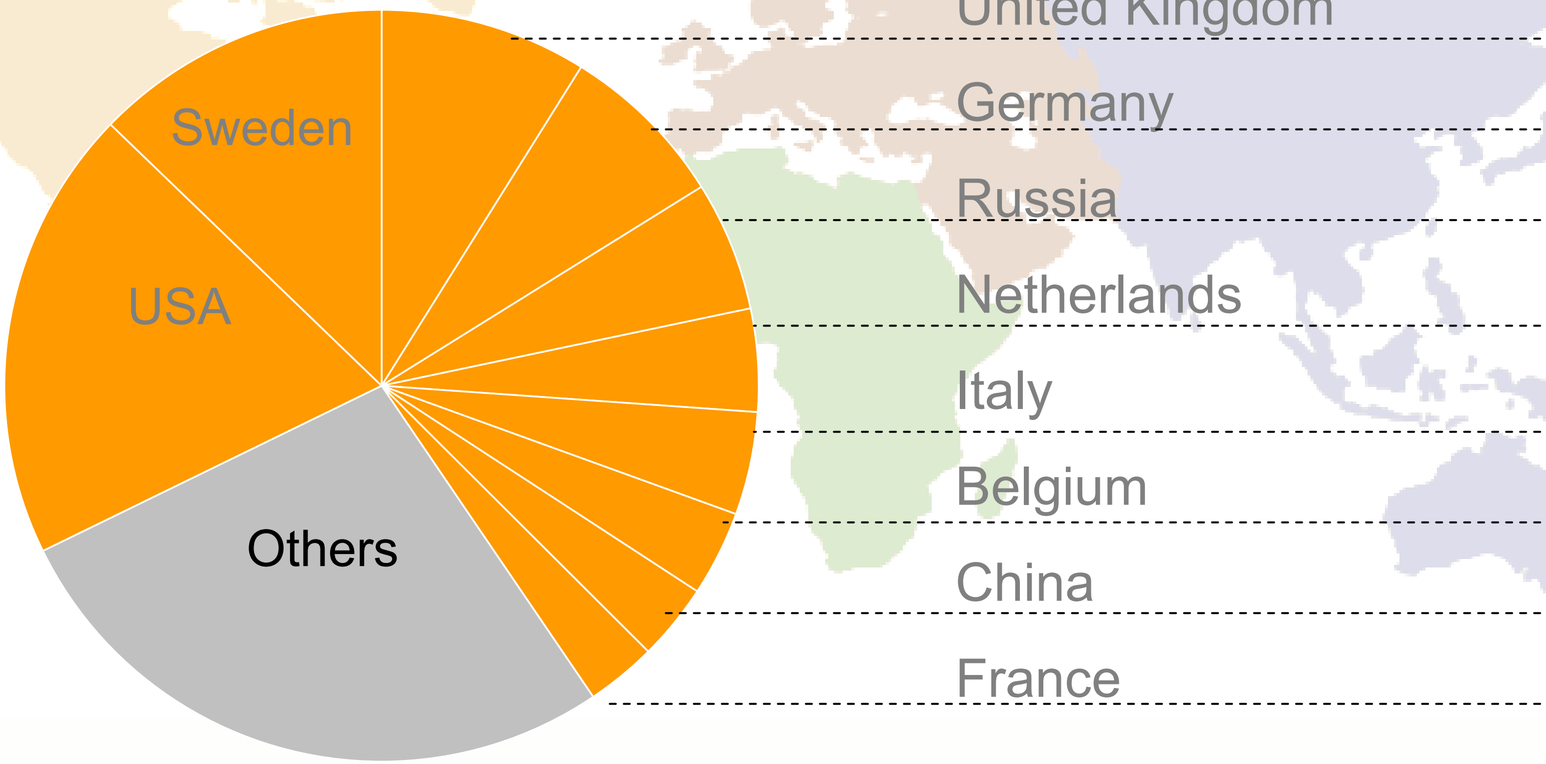
★ Production

■ Sales companies in top ten markets

● Design Centres

Global presence - we are represented in about 100 countries in the world.

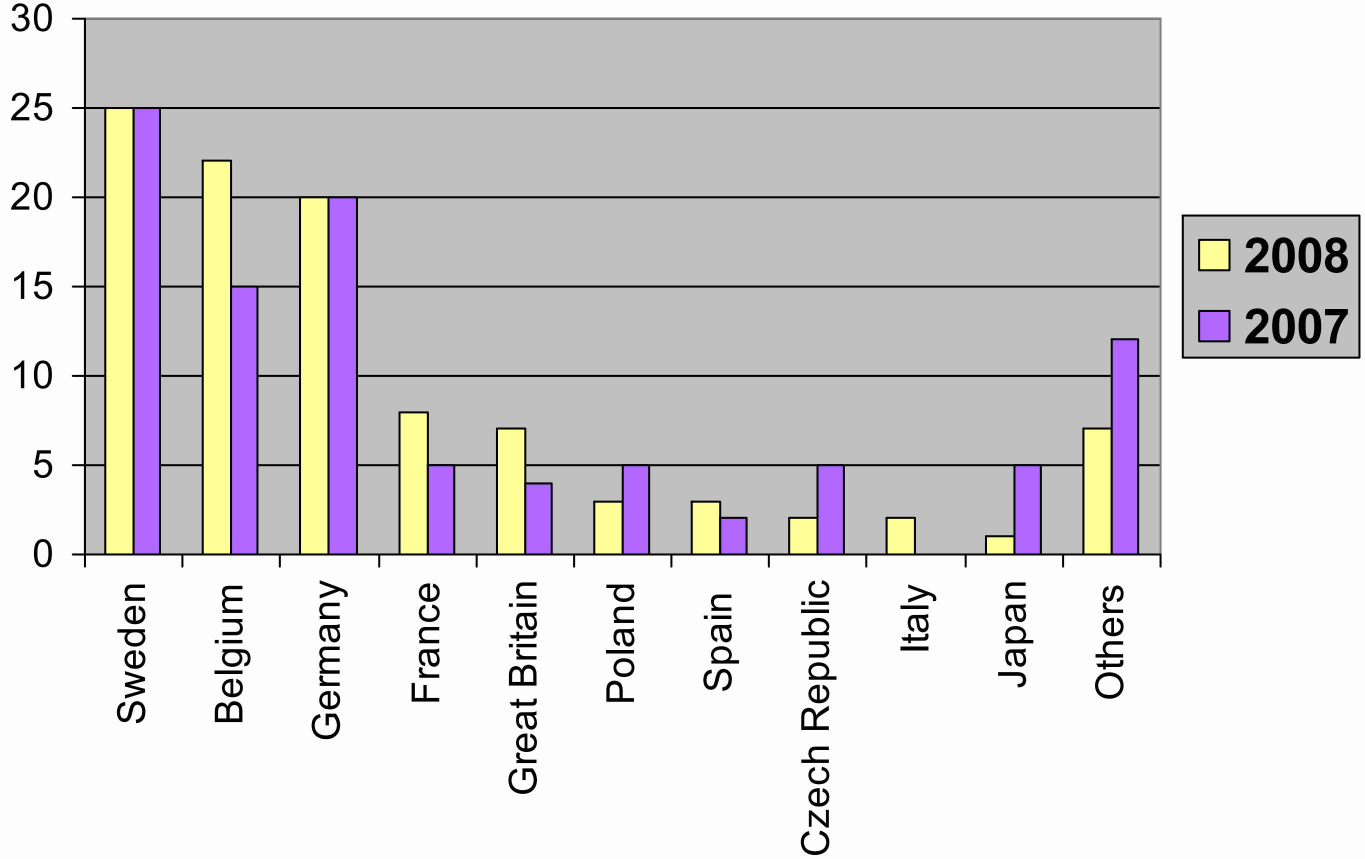
Car sales - top ten markets 2008



Total 2008: 374,297

Main supplier countries in 2008

- 30% of the material by value is manufactured by Volvo Cars
- 70% comes from 405 main suppliers in about 40 countries



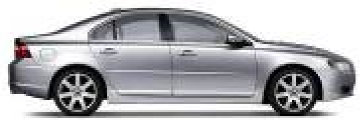
Model range

S

Volvo S80

Sales 2008:

31,114



Volvo S60
Sales 2008:

26,148

Volvo S40

Sales 2008:

48,950

XC

Volvo XC90

Sales 2008:

52,872

Volvo XC70
Sales 2008:

32,675

New Volvo XC60

Sales 2008:

6,954

C

Volvo C70

Sales 2008:

14,381

Volvo C30

Sales 2008:

39,966

V

Volvo V70

Sales 2008:

59,152

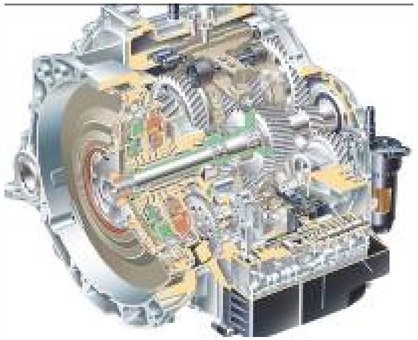
Volvo V50
Sales 2008:

62,085

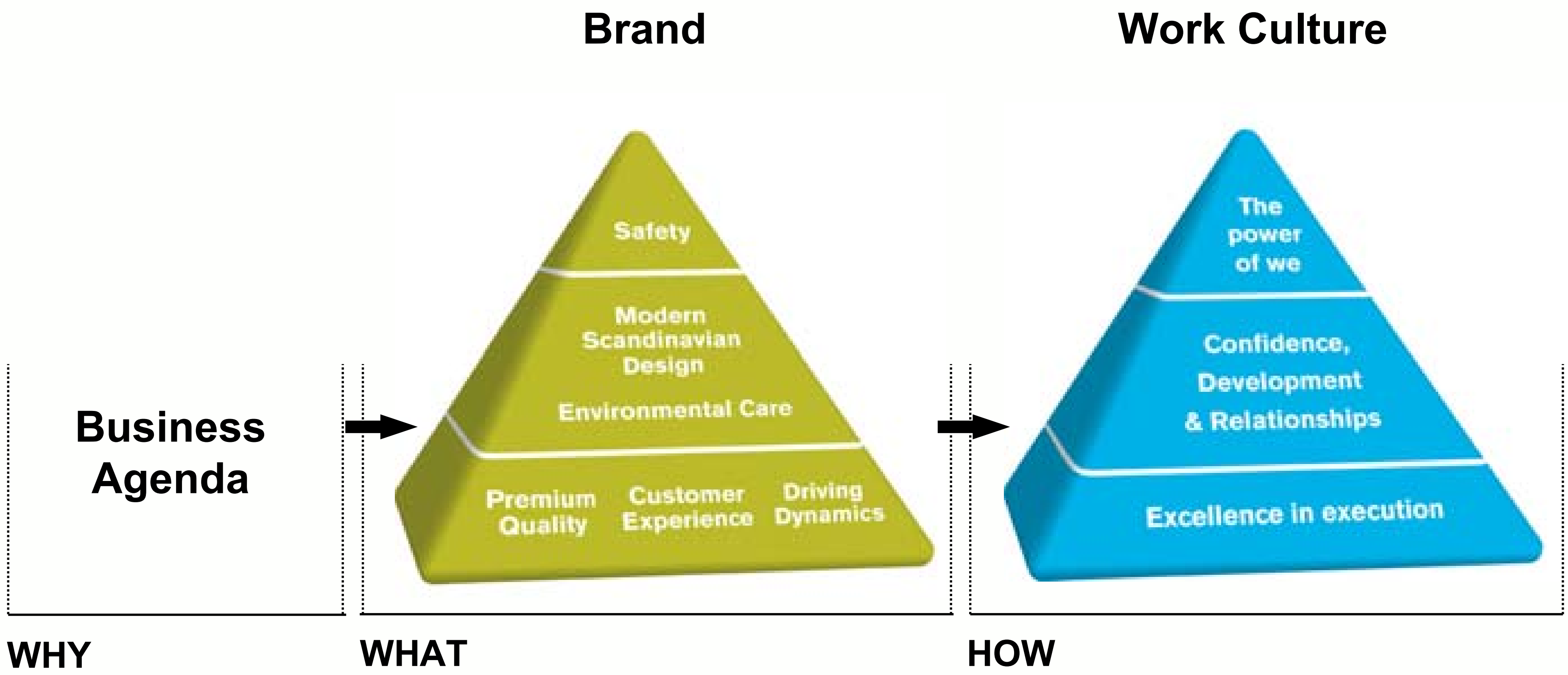
The launched umbrella name for the environmental work at Volvo Cars is called DRIVe.

DRIVe range 2009

Environmental care - Drive towards zero



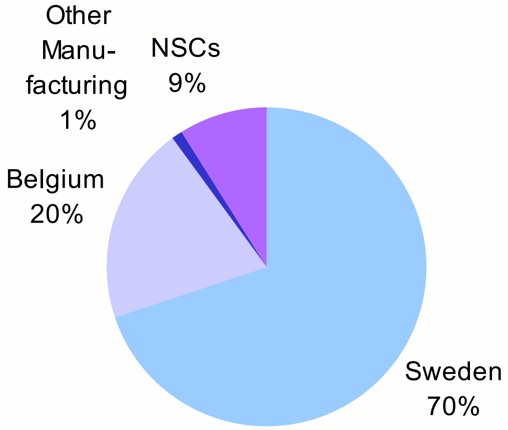
Two pyramids and one strategy to drive us forward



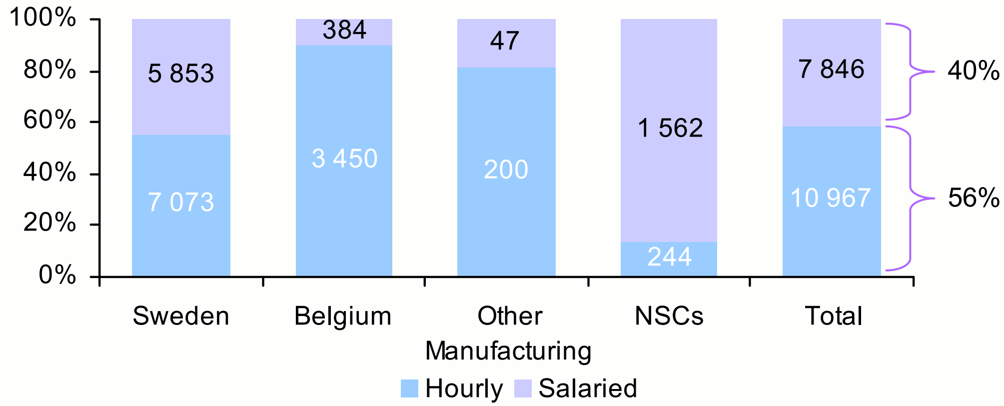
The WHAT and the HOW will help us deliver Volvo Cars' business results

Employee Overview

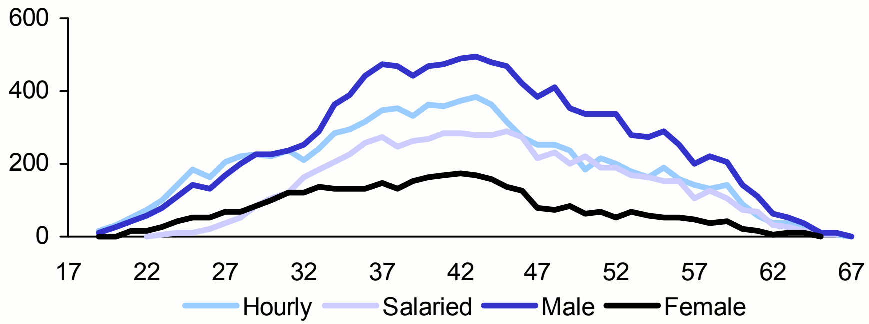
Employees by Location



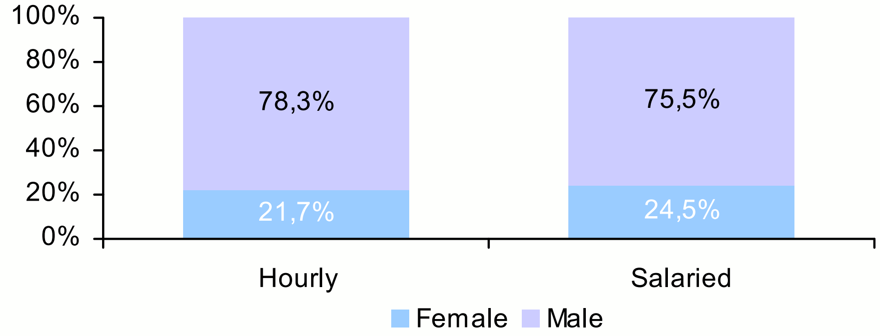
Employee Status by Location (FY09 Target)



Age Distribution -- Sweden



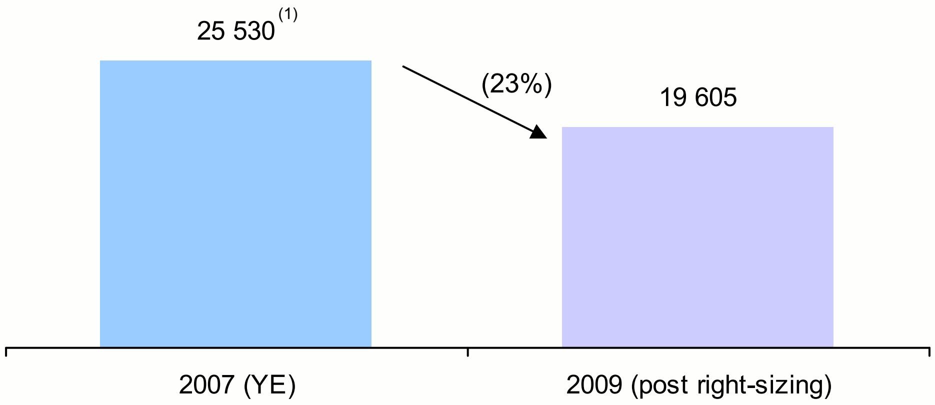
Diversity



Approximately 90% of Volvo's 19,600 employees are located in Sweden and Belgium

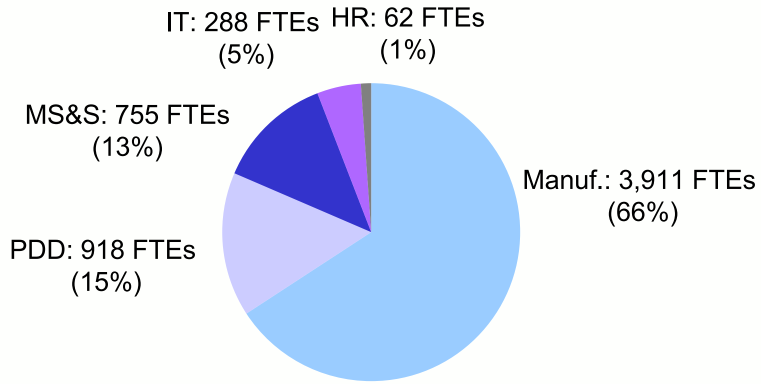
Headcount Reduction

Target FTEs 2009



As of March 31, 2009	19,686

Total FTE Reductions: 5,844

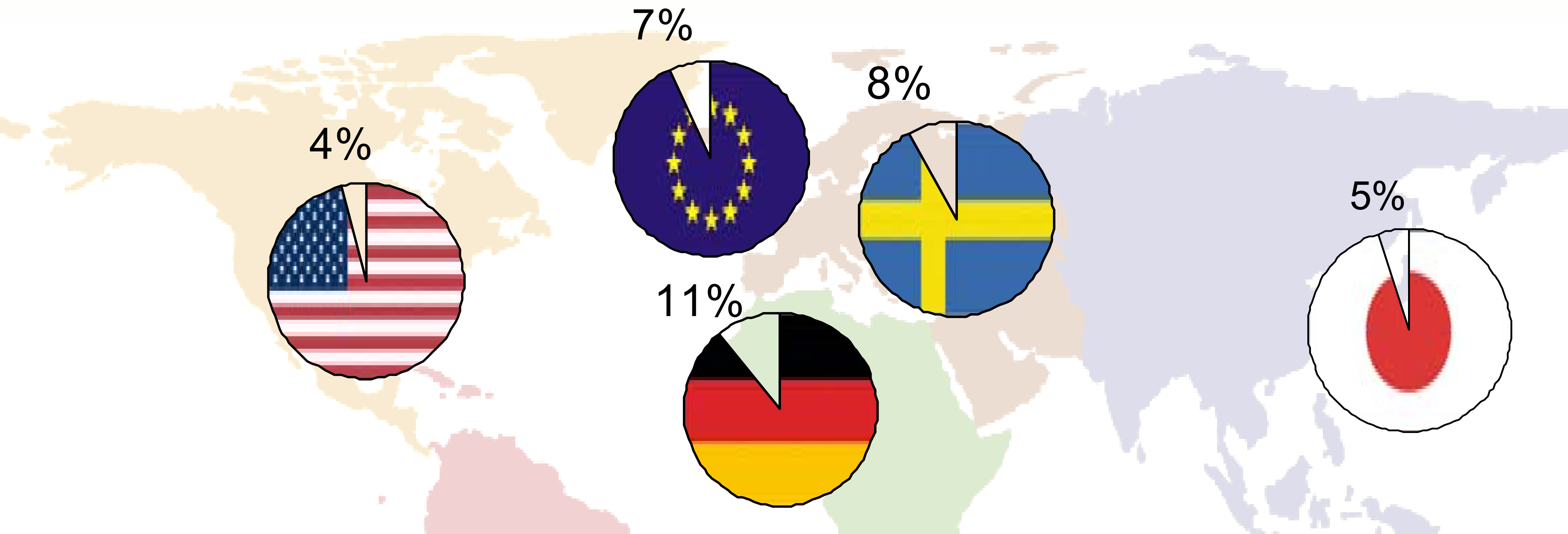


Personnel cost reduction

- 2005-2007
  – continuous cost reductions including personnel
- 2008
  – **Right Sizing** project
- 2009
  – **Cost Performance**; saving another 50M$

The automotive industry - setting the scene:

Pct of GDP Generated from the Automotive Sector



Globally there are 50 million jobs dependent on the automotive industry while in economic terms its turnover is about € 2 000 billion per year.

Source: ASEA, IHS Global Insight, MI Analysis

The automotive industry from a European perspective

<u>The strenghts</u>

The automotive industry forms the backbone of the EU economy:

- More than 12 million families depend on the sector for employment;
- Association des Constructeurs Européens d’Automobiles or European Automobile Manufacturers’ Association (ACEA) members yearly invest € 20 billion in R&D, or 4% of turnover;
- Net auto exports are worth € 42.8 billion;
- Vehicle taxes deliver € 381 billion to governments – 3.5% of EU gross domestic product.

The automotive industry from a European perspective

<u>The weaknesses</u>

Approximately 20 million units surplus per year.

Equivalent to 33% of installed capacity

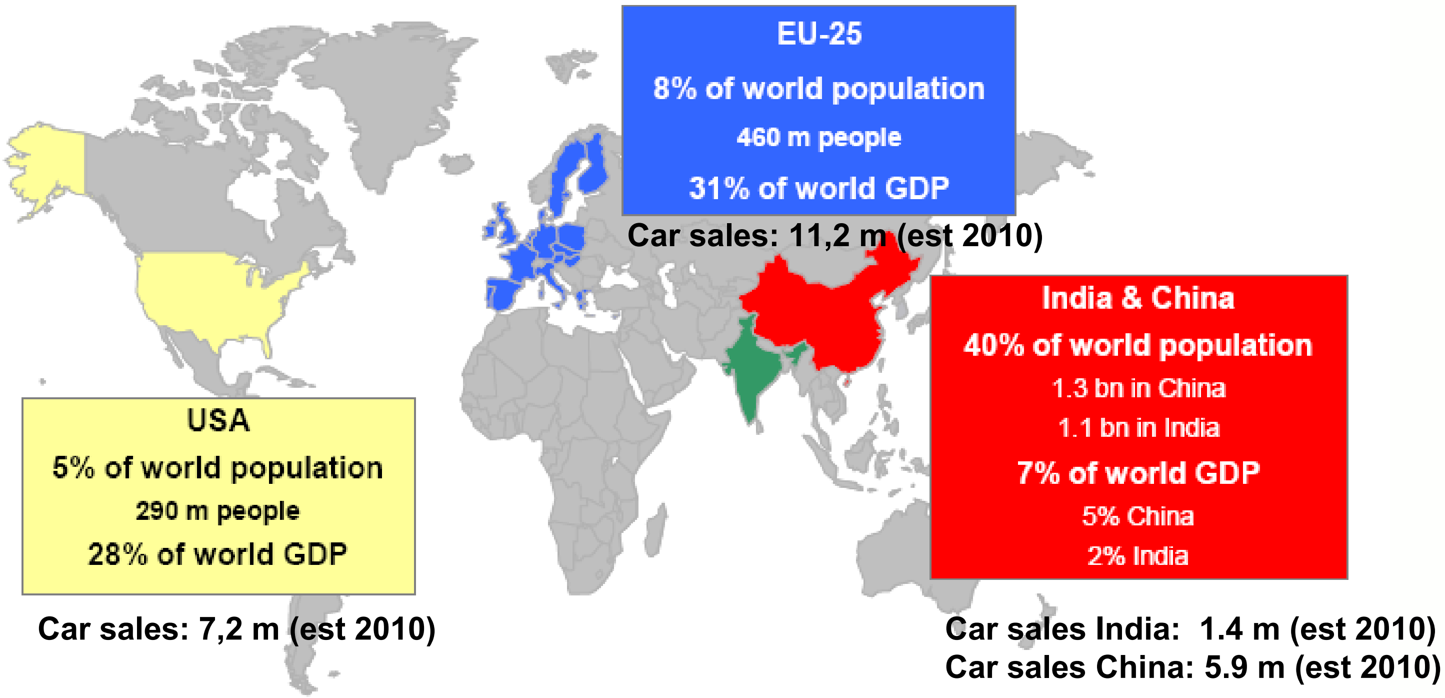
Equivalent to the whole of the European capacity

- All markets
- Every country

Sweden France Belgium UK Germany Italy Russia Spain Czech Hungary

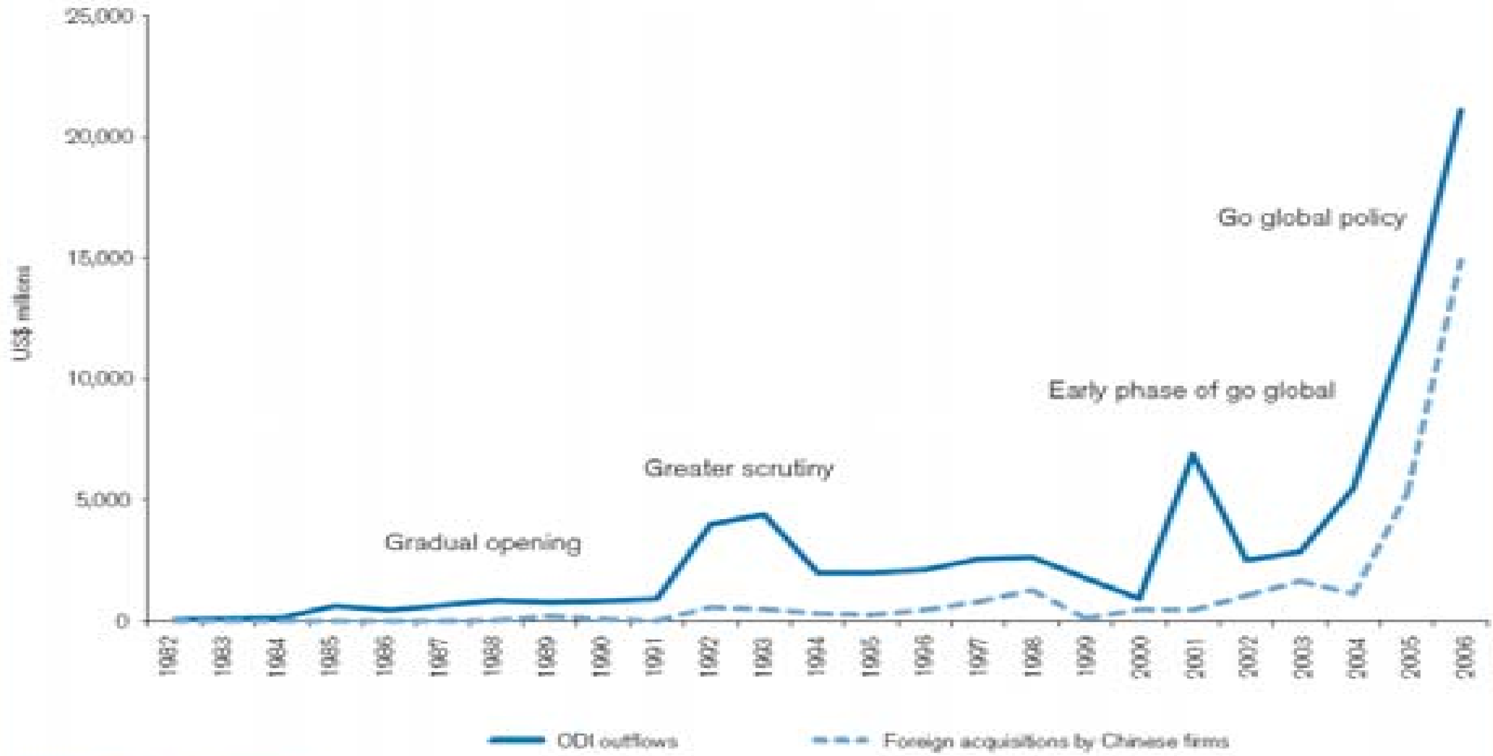
Customers, Customers, Customers!!

India & China: Home to almost half of the world's population, but the origin of only 7% of world GDP…



China's Entry onto the Global Stage

Figure 1: China's ODI and cross-border acquisitions, 1982–2006



Sources: UNCTAD, MOFCOM.

1. UNCTAD (2006).
2. Non-financial-sector ODI, including business services, mining and wholesale and retail sectors, reached $18.7 billion in 2007, while financial ODI (reported by SAFE) was $3.53 billion in 2006. In 2007, Chinese ODI outflows were on par with Irish ODI, but ten times smaller than French ODI.

Volume forecast

China

2010

Vehicle Parc (units):	**66 991 079**
Number of Cars/1000 capita:	**49.83**
Car Sales (units):	**5 936 681**
Population (millions):	**1 344.29**
Real GDP (% change):	**7.60**
Real Consumer spending (% change):	**6.56**

2015

Vehicle Parc (units):	**106 482 713**
Number of Cars/1000 capita:	**77.03**
Car Sales (units):	**9 134 956**
Population (millions):	**1 382.45**
Real GDP (% change):	**8.80**
Real Consumer spending (% change):	**7.78**

India

2010

Vehicle Parc (units):	**21 510 953**
Number of Cars/1000 capita:	**17.63**
Car Sales (units):	**1 437 419**
Population (millions):	**1 220.18**
Real GDP (% change):	**5.91**
Real Consumer spending (% change):	**5.19**

2015

Vehicle Parc (units):	**34 589 149**
Number of Cars/1000 capita:	**26.56**
Car Sales (units):	**2 431 418**
Population (millions):	**1 302.54**
Real GDP (% change):	**7.53**
Real Consumer spending (% change):	**8.90**

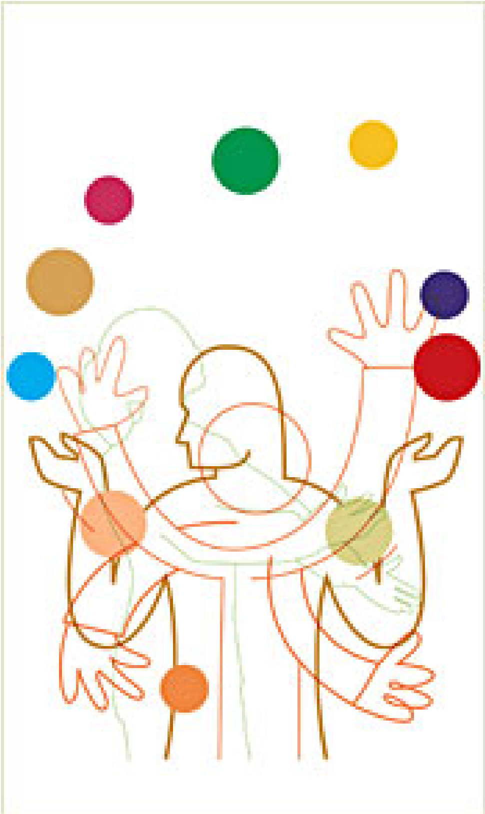
Source: Market Intelligence, IHS Global Insight, ISA

European Competitiveness

For European Companies to compete successfully in the global economy, they will need to compete on the basis of:

- Premium products
- High quality
- Innovation
- Lean organisations - high productivity to offset cost disadvantage
- Sustainable development solutions
- Rapid development
- Superior service dimension

Labour Market Trends



Source: Market Intelligence, World Economic Forum

Labour Market Trends

21st Century Organizational Trends
- There are five key organizational trends to be aware of:

- Globalization
- Diversity
- Flexible
- Flat
- Network

Source: Market Intelligence, World Economic Forum

Labour Market Trends

Labour Market Trends

Diversity

Personality

Language

Attitudes

Culture

Gender

Work style preferences

Economical situation

Age

Marital status

Education & work experience

Disability

Religion & Belief

Nationality & Ethnicity

Sexual Orientation

Labour Market Trends

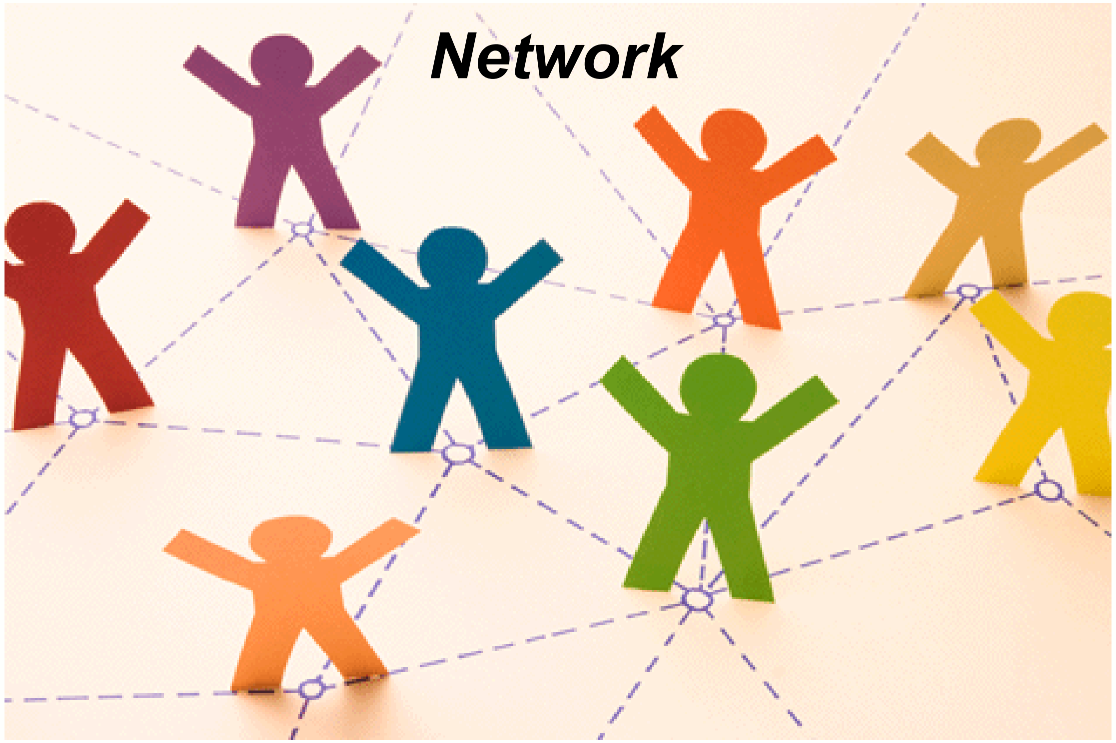
Source: Market Intelligence, World Economic Forum

Labour Market Trends

Flat

Source: Market Intelligence, World Economic Forum

Labour Market Trends.



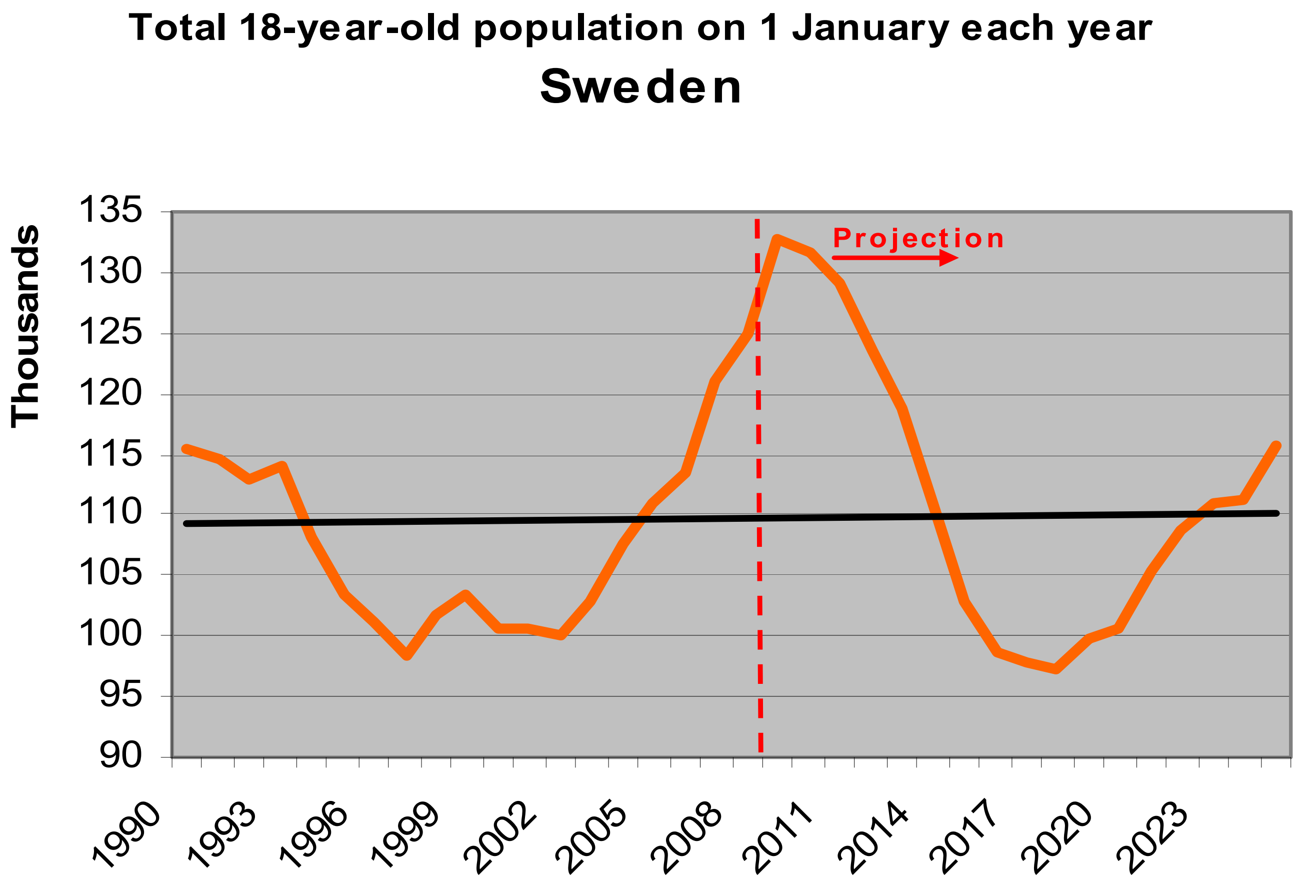
Source: Market Intelligence, World Economic Forum

Competence is the key

Competence is:

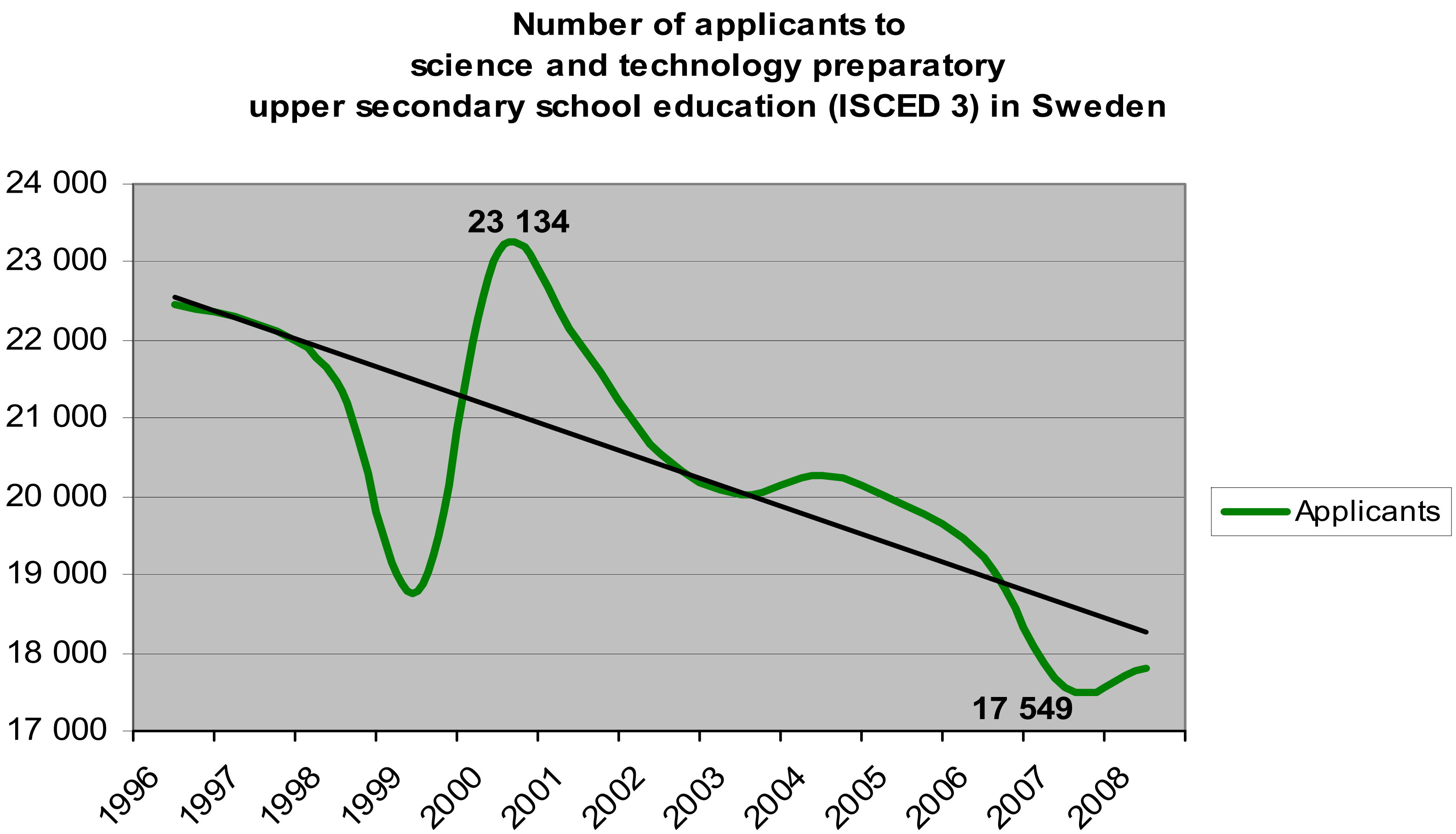
Knowledge
Experience
Skills
Behaviours

Demographics threatening the supply of Competence



Source: Eurostat

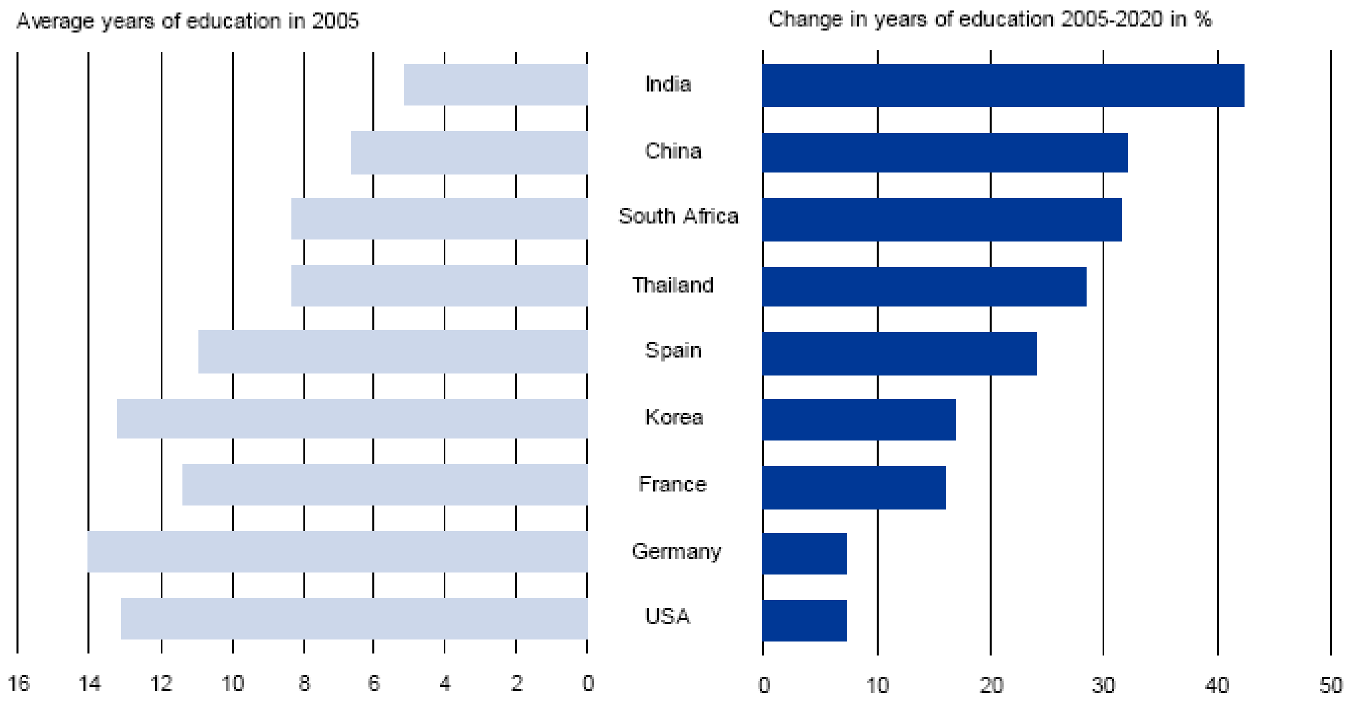
Attitudes threatening the Competence Supply



Källa: Skolverket

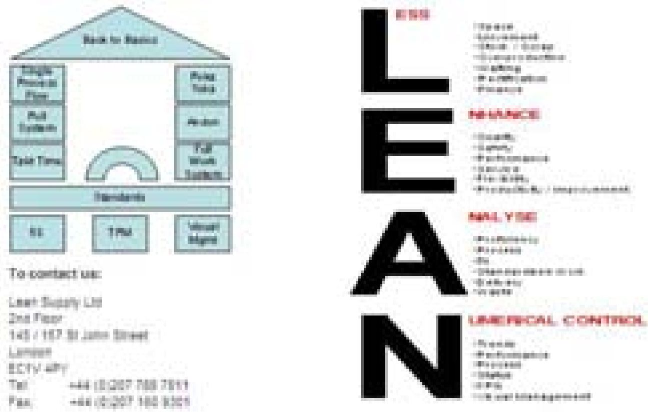
The education gap is closing

Huge improvements in the quality of workforce is a major driver of growth …



source: OECD, Deutsche Bank Research

Future jobs



Employability

Generic and Leadership competencies

Generic competencies	Leadership Competencies
• Customer Focus • Relationships • Development • Communication • Business Acumen • Excellence in execution	• People Management • Business Management • Future Business Direction • Personal Characteristics

Competence areas in focus 2009-2010

- **Lean production**
  continuous improvements for increased productivity
- **Construction**
- **Environmental - & safety techniques**;
  - environmental technology
  - hybridtechnology
  - electrification
  - active safety
  - secure premium quality
- **Business acumen**
- **Leading change**
- **Learning organization**

VCC competence model

A **competence** is a combined set of

Knowledge
(What I know and can describe)

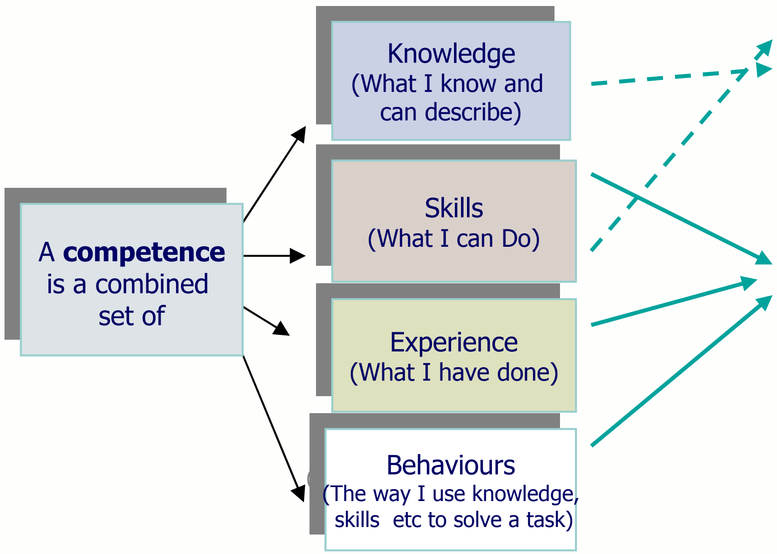
Skills
(What I can Do)

Experience
(What I have done)

Behaviours
(The way I use knowledge, skills etc. to solve a task)

…..needed to succeed in your role and career

A shift from qualifications to value based skills



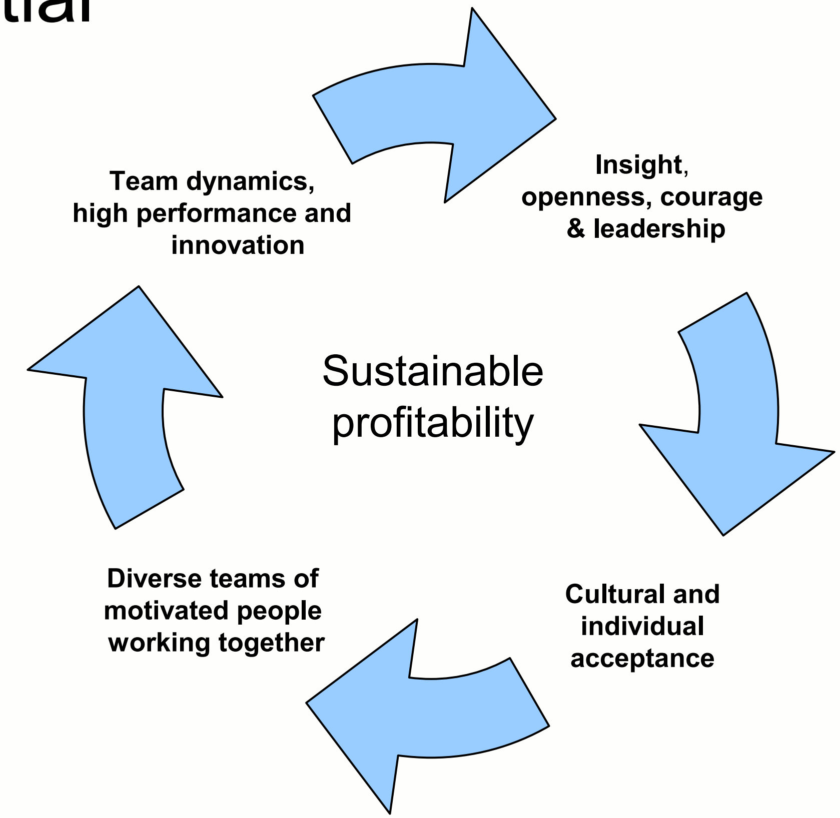
Traditionally knowledge and formal experience were important qualifications

Today value based skills are becoming increasingly important

…..needed to succeed in your role and career

Diversity

Build <u>the power of we</u> by supporting all individuals to contribute to their full potential



Future demands for skills and competencies
- our employees* change with us

Example production line worker – key competencies:

10 years ago	Today	In 10 years…?
• Teamwork	• Commitment	• Passion
• Upper secondary school	• Upper secondary technical school	• ”Confirmed” competence upper secondary technical school
• Relationship	• Physical capacity	• Mental and physical capacity
• Motivation	• Mindset	• Change ability
	• Technical specialization	• Problem solving ability
		• Self directed

* including our suppliers’ employees

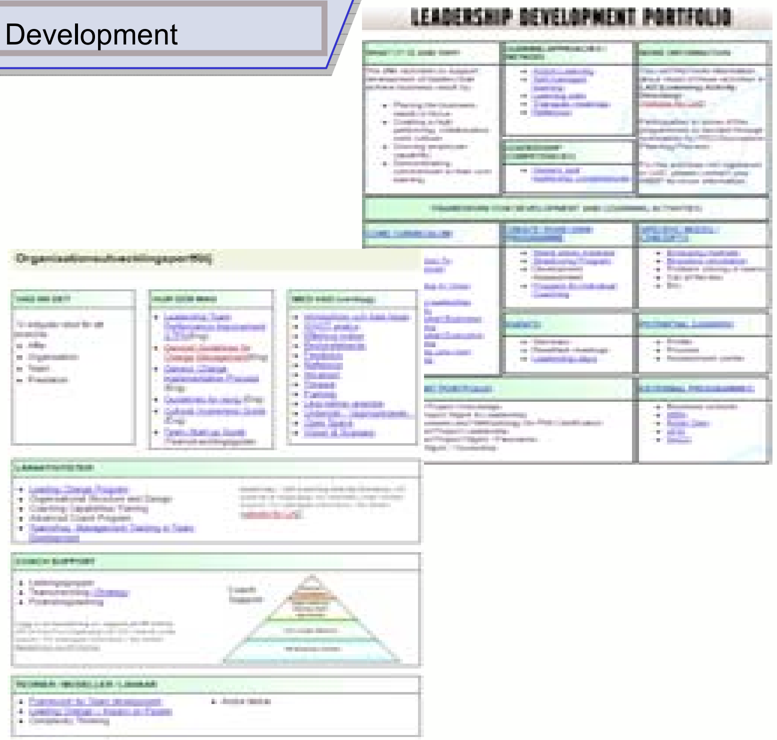
Learning organisation in practice

Leadership Team
Performance Improvement

Leading in Change

Team Development

- Learning in day-to-day activities
- Blended learning / e-Learning
- Leadership Development portfolio
- Organisational Development portfolio
- Project Management portfolio
- Internal trainer process
- Internal coach support
- Support to Business Transformation



Recruitment direction

A shift towards competence/skills based recruitment

Recruitment direction

Future challenges & wanted position/ global approach

Recruitment direction

Expectations on PES

- Access to critical competencies and skills needed
- Broaden the competence pool and enable us to reach diverse cultures and experiences
- PES to work more actively with “matching” candidates between countries – web based tools
- Cooperation to establish alliances and working relationships with other associates worldwide to address the global market

Need for cooperation in a broader perspective

Issues we identify with doing business in Europe are as large a problem for the other European Union countries as for us.

Reason: To solve their competence supply problem, companies can decide to offshore more and more of their activities where the customer growth/available skills are.

Result: Economic decline in Europe.

We are prepared to work in partnership with others to solve this issue.

Thank you for listening!

Back-up

Labour Market

The competition will intense to win…..

key employees

key suppliers

key customers

$$ES\#1+SS\#1 \simeq CS\#1$$

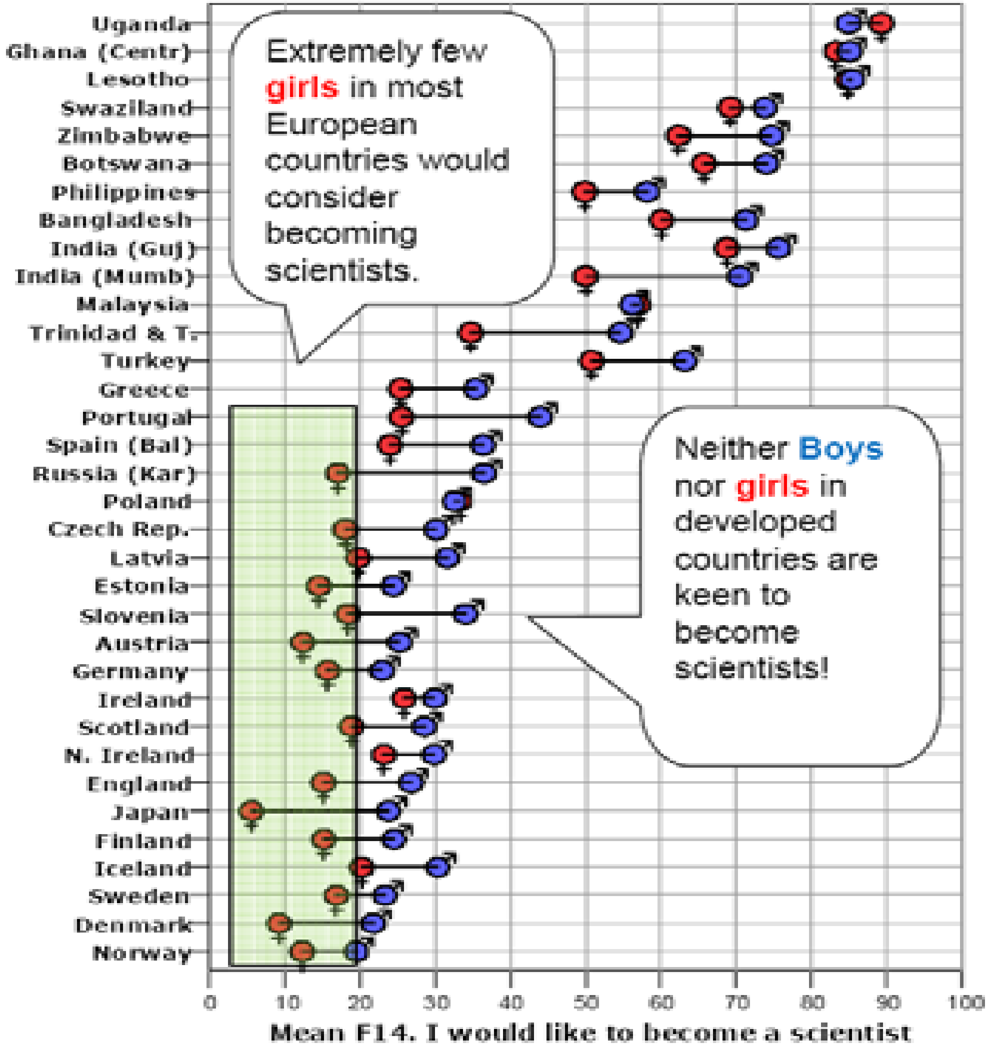
Company's who is most successful in Brand Building, both Internally and Externally, will attract the best!

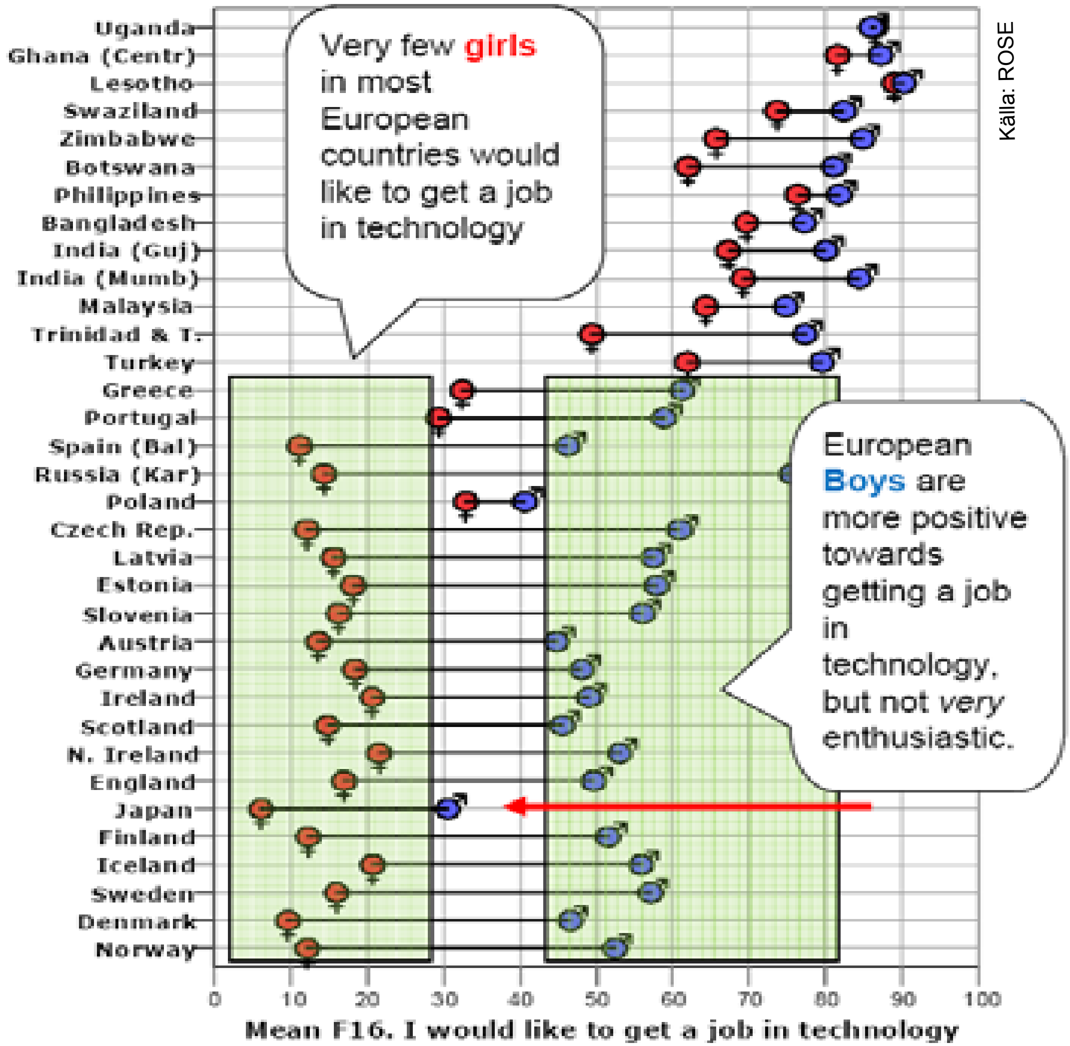
and the effect will be self-boosting

(employee satisfaction #1 + supplier satisfaction #1 $\simeq$ consumer satisfaction #1)

Source: Market Intelligence,

Attitudes in Europe threatening the Competence supply





Källa: ROSE

Attitudes in Europe threatening the Competence Supply