FP Auto Dealer Snapshot Takes Deeper Dive into Industry Attitudes Related to Economic Uncertainty

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The news that the economy has shrunk for a second straight quarter might not come as a surprise to businesses in the automobile industry. After all, the results of our FP Flash Survey on Economic Uncertainty revealed that automotive employers are more likely to be cautious than the average employer, demonstrating that they have been seeing the warning signs for some time now. This Snapshot takes a closer look at the survey findings as they relate to the auto industry to provide employers an opportunity to get a better feel for what's going on across the country.

More Likely to Slow Down Hiring

The first piece of survey data that stands out is that automotive employers are much more likely to slow their hiring in 2022 compared to the average business. 40% of automotive employers are looking to reduce their employee roster compared to just 24% of all employers. In fact, automotive employers have the second-highest rate of planned hiring slow-downs among all industries, exceeded only by the retail sector.

Suggested Plan for Dealing with Hiring Freezes

We recommend you review our recent Insight on the Top 4 Things Employers Can Do to Prepare for a Possible Recession – and Top 3 Things to Ease Workers' Inflationary Concerns if you find yourself in the position of having to implement a hiring freeze. This could present with you with alternatives you might not have considered and will offer guidance on how to carry out any difficult decisions that you need to take.

Automotive Industry Looks to Creative Solutions

The survey revealed that automotive employers are more likely to take some creative steps to address economic uncertainty than other employers.

- More than half of automotive employers (53%) will cross-train their workforce for different roles compared to just 37% of employers overall
- More than a third of automotive employers (37%) will look to technology to reduce labor costs compared to 27% of all employers

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- One in three automotive employers (33%) will implement alternative work schedules compared to just 15% of all employers

But that doesn't mean that automotive employers aren't more likely to get back to basics as well. Two tried-and-true methods are being implemented to a greater degree in the auto sector than elsewhere:

- 53% of automotive employers will be identifying and eliminating operational inefficiencies (compared to 43% of all employers)
- More than a quarter (27%) will scale back departmental budgets compared to just 16% of all other employers

Finally, it appears that automotive employers are more concerned about what may lie ahead than other employers in one key sense. More than one in four (27%) will be investing in preventive efforts such as handbooks, policies, and internal audits to reduce possible legal exposure after expected terminations compared to just 12% of all employers.

More Likely to Apply Scrutiny and Raise the Bar on Hiring

Among the steps that employers are now looking to take given the softening of the labor market, automotive businesses are more likely to ratchet up their scrutiny of workers' performance and raise the bar on hiring when compared to other employers.

- About one in four employers (23%) generally intend on raising the bar when it comes to hiring to ensure only highly qualified workers are brought aboard, but that number jumps to 37% when we look to the automotive industry
- And whereas only 17% of all employers intend to turn up the pressure and scrutinize their workers' performance more closely in 2022, 23% of automotive employers will do so

Pay Bumps to Offset Inflation

Finally, the automotive industry seems to lag a bit behind other industries when it comes to taking proactive steps to address workers' inflationary concerns. It is slightly ahead of other industries when it comes to offering pay bumps to match cost-of-living increases (37% of automotive employers compared to 30% of all employers), but falls behind on several other key metrics:

- Only 9% of automotive employers are permitting workers to work from home to save on commuting expenses compared to 25% of all employers (most likely due to circumstances unique to the industry)
- Only 3% are offering gas subsidies compared to 10% of all employers
- And 20% are offering mental health resources, while 24% of all employers are doing so

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Conclusion

We will continue to monitor workplace law developments as they apply to employers in the auto dealer industry, so make sure you are subscribed to Fisher Phillips' Insight system to get the most up-to-date information directly to your inbox. If you have questions, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney on our Auto Dealership Team.

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