



Automotive News China Conference

April 18, 2008

Talent Retention in China's Automotive Industry

...Safeguarding your assets!

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Agenda

- ▣ **Retention Backdrop: Market Realities & Trends**
 - **Why are People Leaving?**
- ▣ **Understanding Employee Perceptions**
- ▣ **Retention: Strategy and Key Learnings**

Winning in Talent, Winning in Growth!

***The binding constraint on growth
is not strategy.***

***It's in having enough
of the right people to create the
management capacity to grow.***

---Michael Tracey

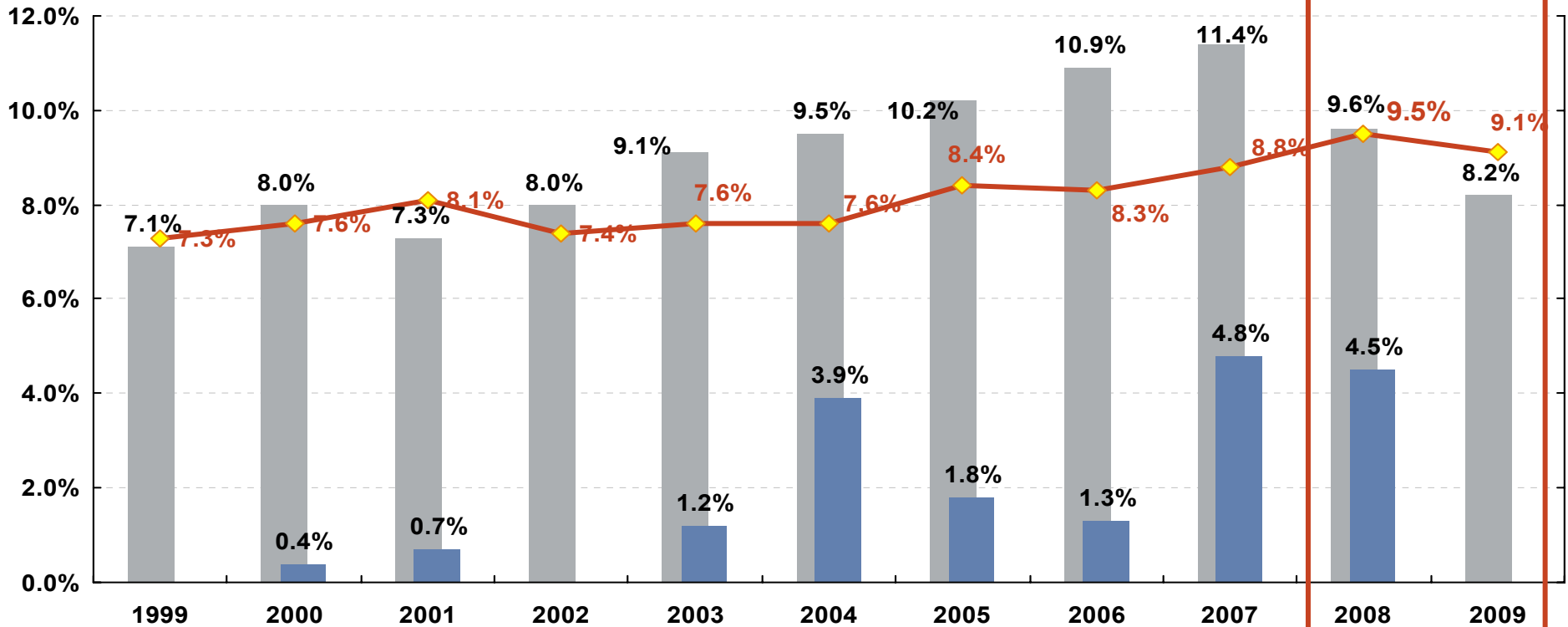


Retention Backdrop: Market Trends and Realities

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China Market Movement



*Data sources:

1. National Bureau of Statistics, PRC
2. Ministry of Foreign Trade and Economic Cooperation, PRC
3. Hewitt China Salary Increase Survey 1995-2007
4. 2008 and 2009 GDP and CPI Data Projected by The World Bank
5. 2008 and 2009 Salary Increase Data Projected by Hewitt

■ GDP ■ CPI ◆ Salary Increases

Retention

We lose staff because

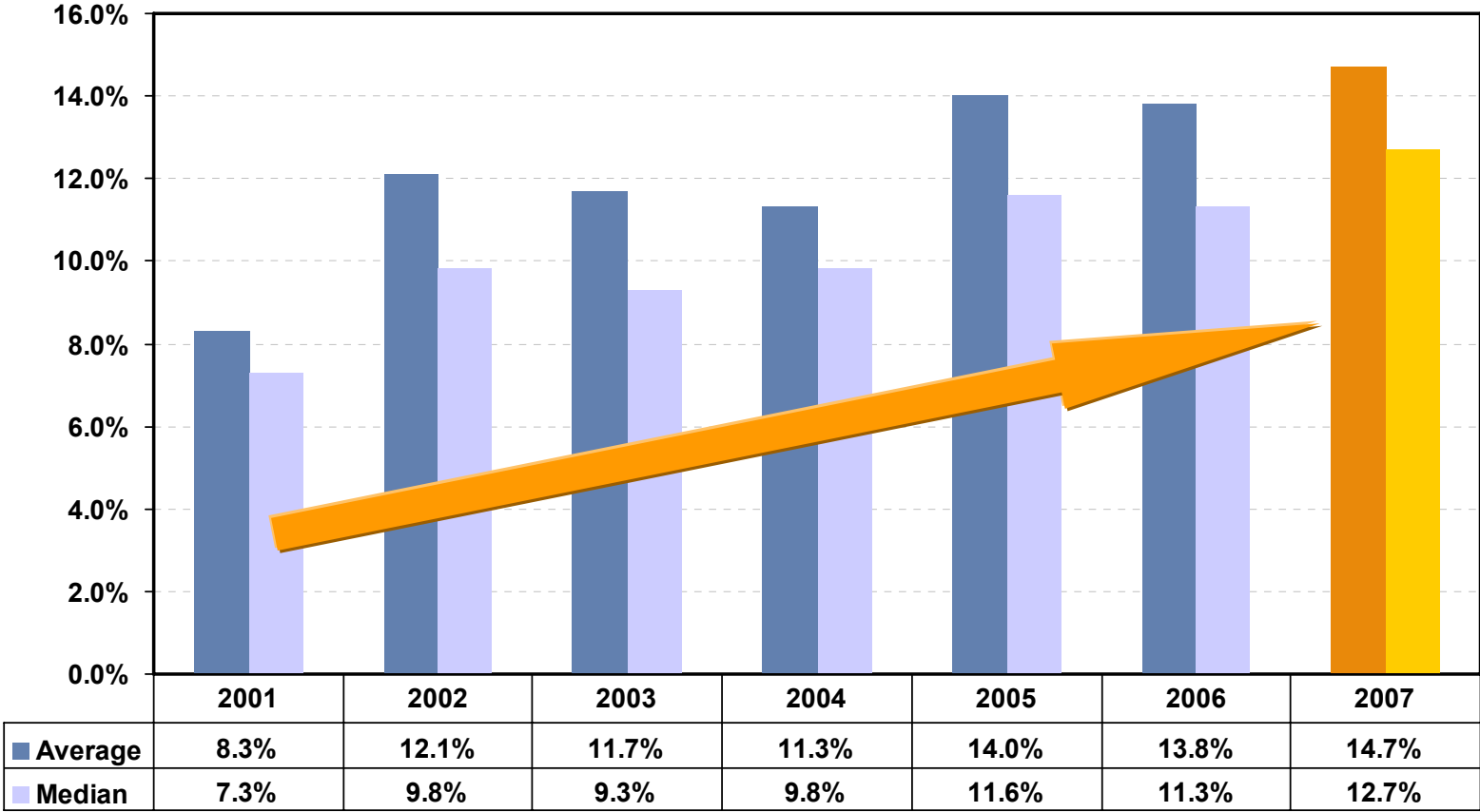
- ...We hire the wrong people
- ...We lose their commitment in the first year
- ...Employees lack confidence in our direction
- ...Our managers are not effective coaches
- ...Competitor's employment brand is stronger
- ...We don't pay competitively
- ...Our benefits are not competitive
- ...Career paths are ill defined
- ...Performance isn't recognised or is inconsistently recognised
- ...We don't adequately develop our staff and talent
-We avoid work-life balance issues

Retention for many companies is a combination of some or all of the following issues employers face....

- ▶ Employee loyalty is decreasing: no marriage with companies but a temporary learning contract
- ▶ Employees treat themselves as candidates and maintain awareness of external opportunities
- ▶ Young generations seek an informal culture, challenges, and quick development
- ▶ Turnover is contagious and mostly impacts the high performers
- ▶ 1.5 to 3 years are the most critical stages for turnover
- ▶ High performers want to accelerate their career path: every 2 years
- ▶ Competitiveness is changing the recruitment rules:
 - *Many competitors willing to pay above market levels and provide more attractive packages*
- ▶ Headhunters are becoming more aggressive
- ▶ Integrity is at risk: newcomers may quit in the first days of his/her contract for a better job

China Voluntary Turnover in the Last 7 Years

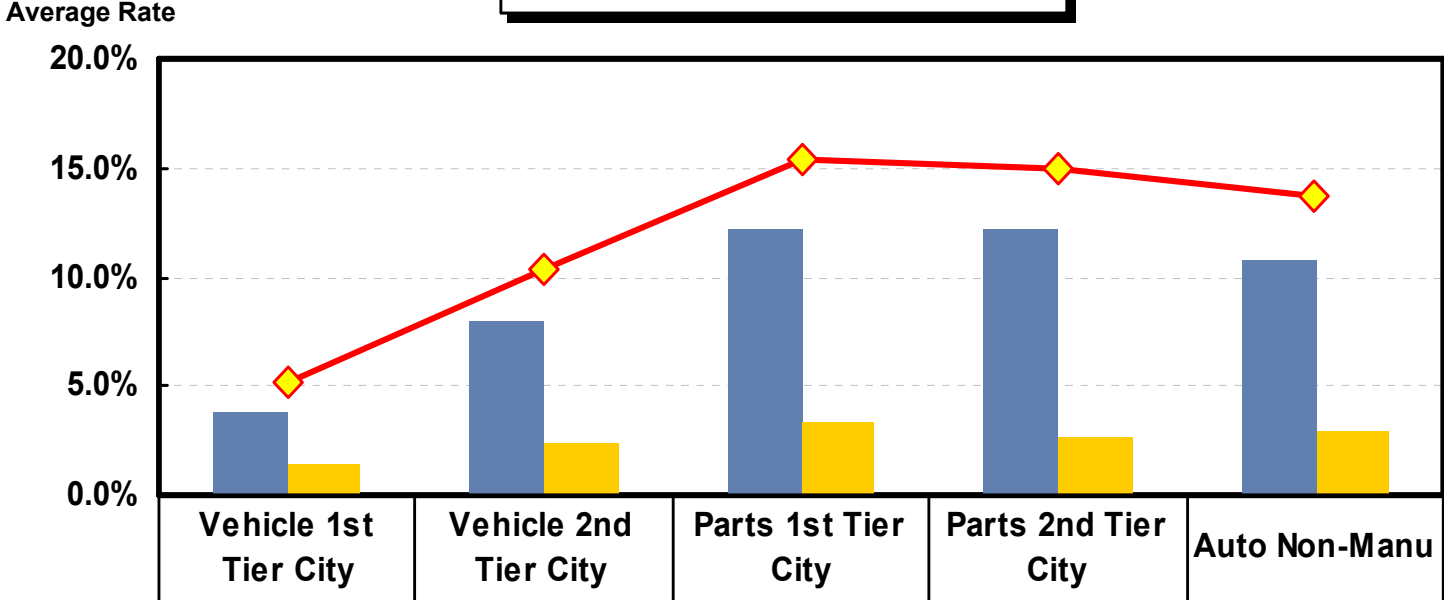
Y.O.Y China Voluntary Turnover



Data source: Hewitt TCM Study 2001 -2007 - China

Automotive Industry Turnover – By Company Type

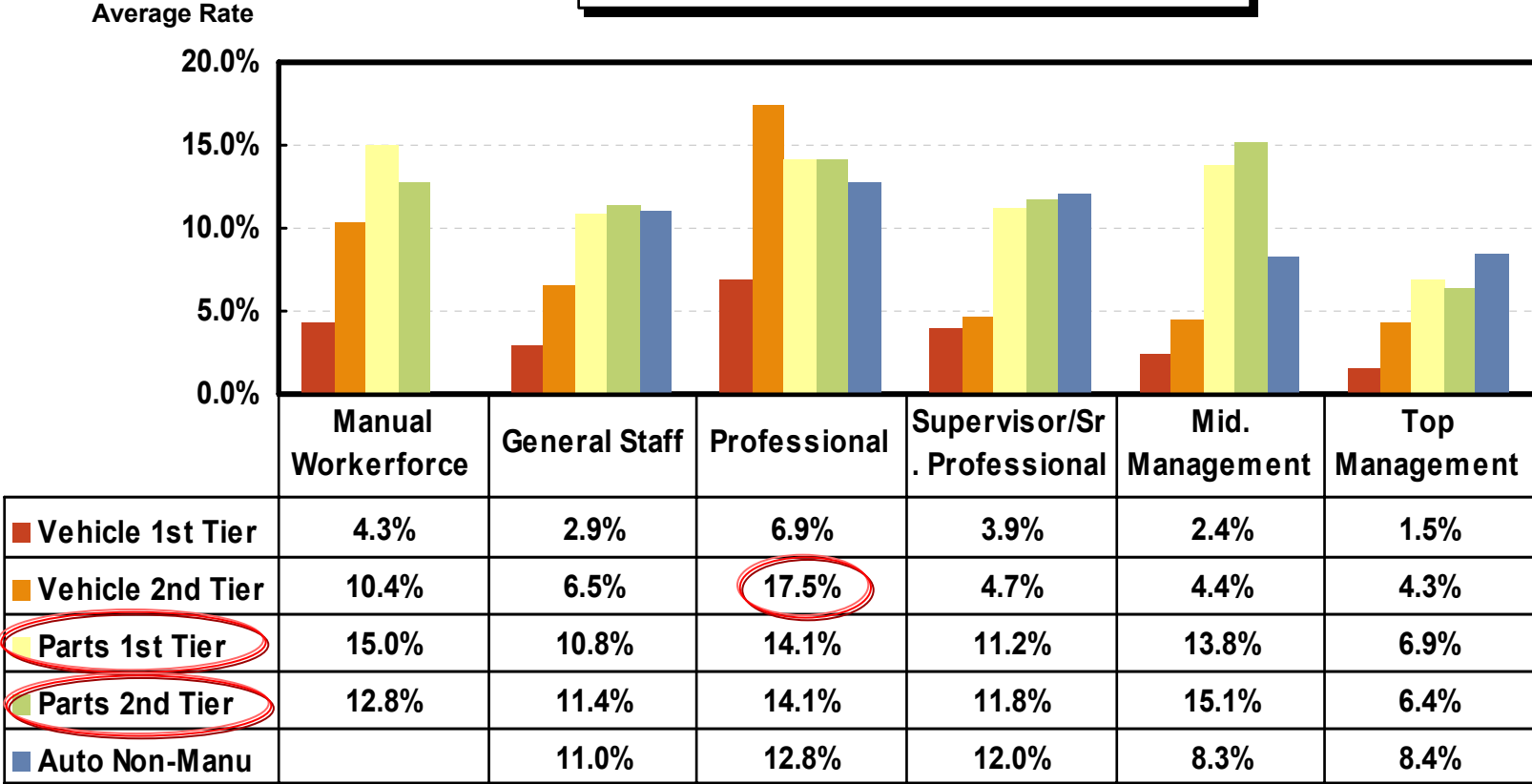
2006-2007 Auto Industry Turnover



Voluntary Turnover	3.8%	8.0%	12.1%	12.2%	10.8%
Involuntary Turnover	1.4%	2.4%	3.3%	2.7%	2.9%
Overall Turnover	5.2%	10.4%	15.4%	14.9%	13.7%
2006 Voluntary Turnover	2.7%	5.6%	10.2%	9.2%	9.0%
2006 Involuntary Turnover	4.5%	3.7%	6.5%	1.9%	3.1%
2006 Overall Turnover	7.1%	9.3%	16.6%	11.0%	12.1%

Automotive Industry Voluntary Turnover – By Level

2006-2007 Auto Voluntary Turnover By Levels



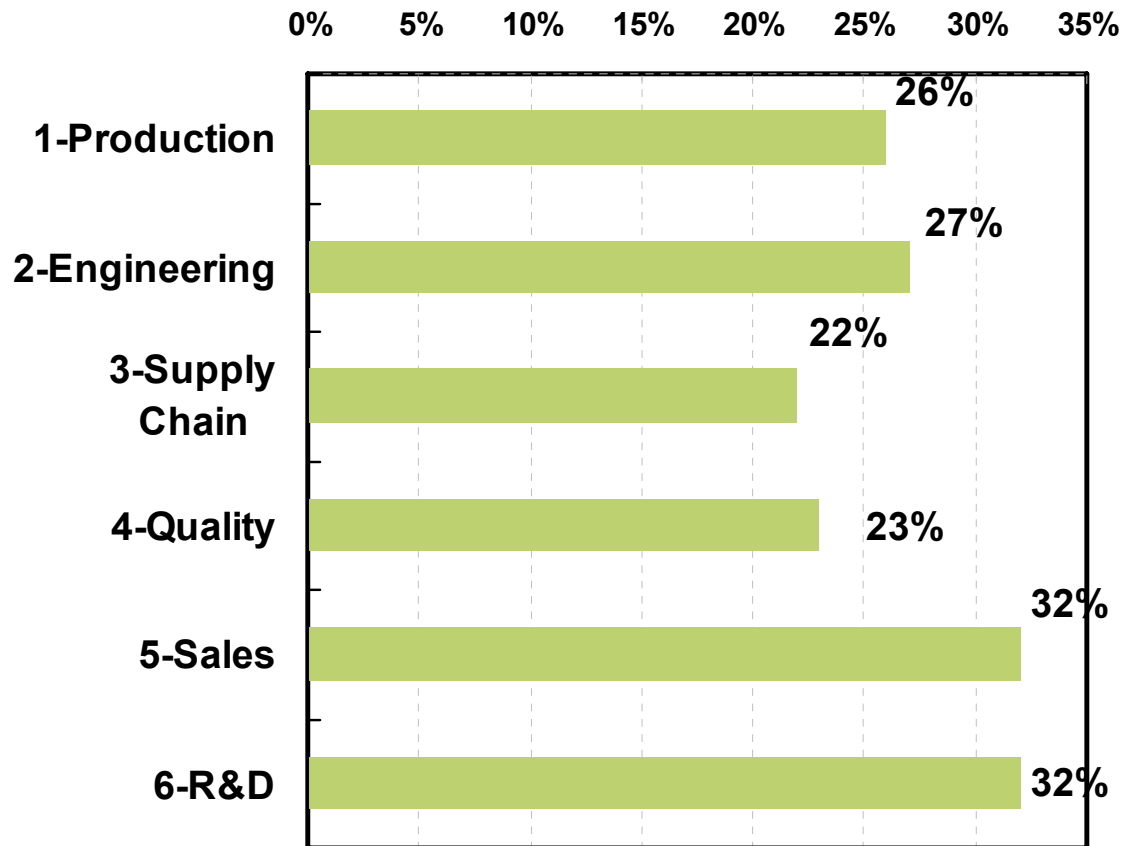
Automotive Industry Voluntary Turnover – By Function

Voluntary Turnover by Function	Auto Non-manu	Parts 1st Tier City	Parts 2nd Tier City	Vehicle 1st Tier City	Vehicle 2nd Tier City
Engineering	16.3%	12.3%	13.6%	6.9%	7.3%
Finance/Accounting	12.9%	15.0%	14.5%	8.7%	8.3%
General/Administration	9.7%	6.0%	10.3%		6.9%
Human Resources	12.1%	13.2%	8.5%	3.0%	5.1%
Manufacturing	9.5%	15.1%	13.8%	4.0%	10.8%
Marketing	5.5%	8.8%	1.4%		8.8%
Management Information System	12.0%	10.5%	8.5%	11.0%	6.8%
Project Management	15.3%	17.5%	16.4%		
Quality Control/Assurance	14.8%	15.9%	14.9%	6.3%	7.3%
Safety/Health/Environment	1.4%	3.1%	2.7%	6.6%	
Sales	12.4%	14.7%	15.7%	9.3%	7.3%
Supply Chain	15.5%	17.3%	16.2%	7.2%	9.7%

Hot functions move from support position such as Finance, HR, MIS, to technical related positions

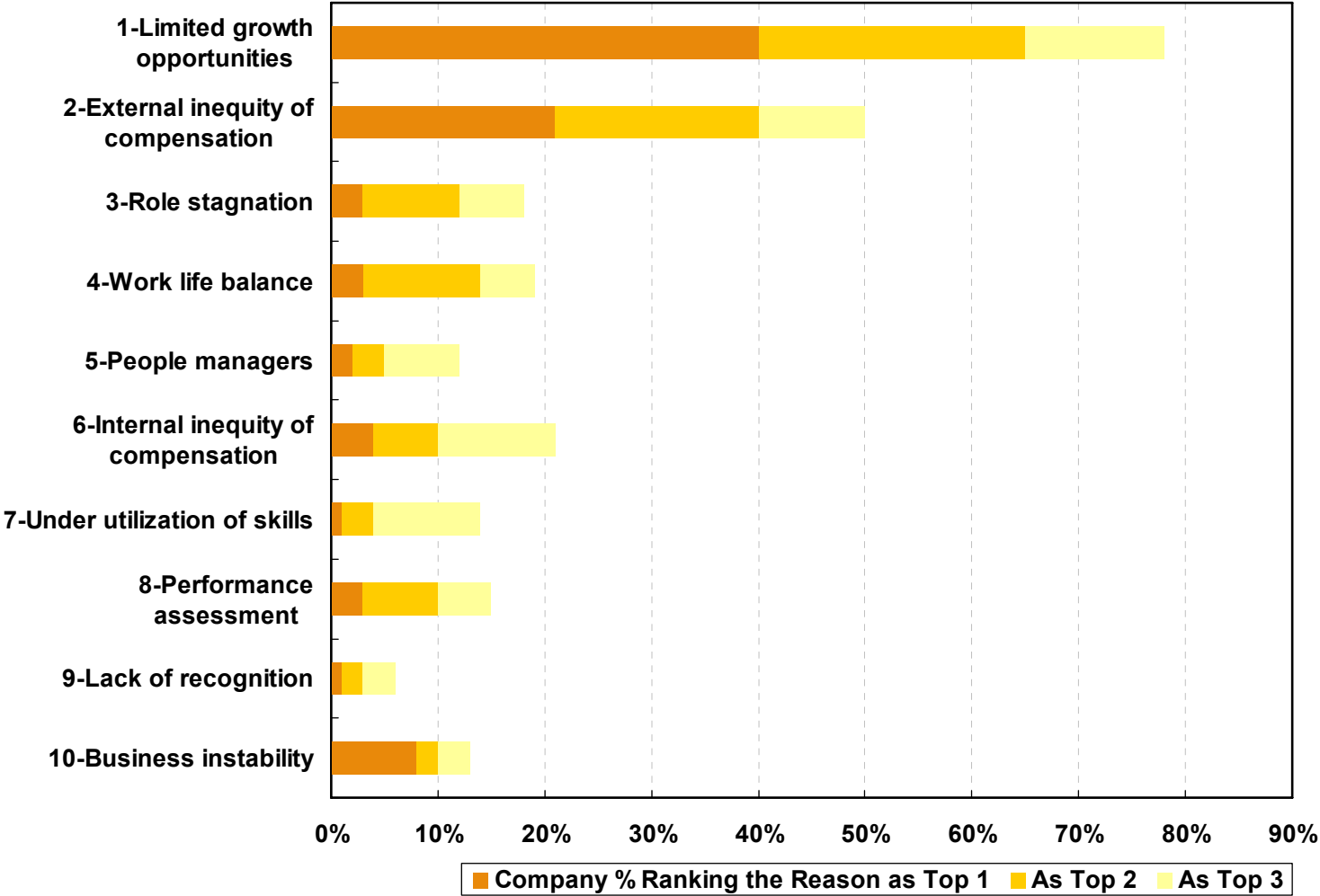
Headcount Increase in Auto Industry – 2008 Planned Increase

Top 6 Functions Nominated to Grow



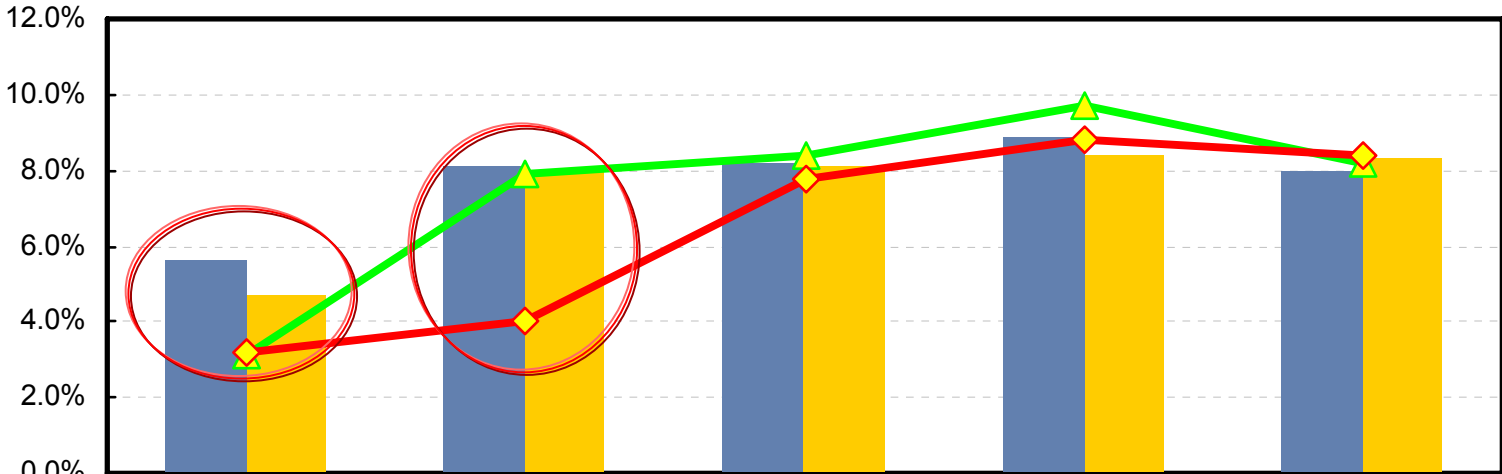
Note: 1-6 Functions ranked by frequency of nomination by companies

2007 Turnover Reasons within Automotive Industry



Automotive Industry Salary Increase – By Company Type

Auto Industry Overall Salary Increase

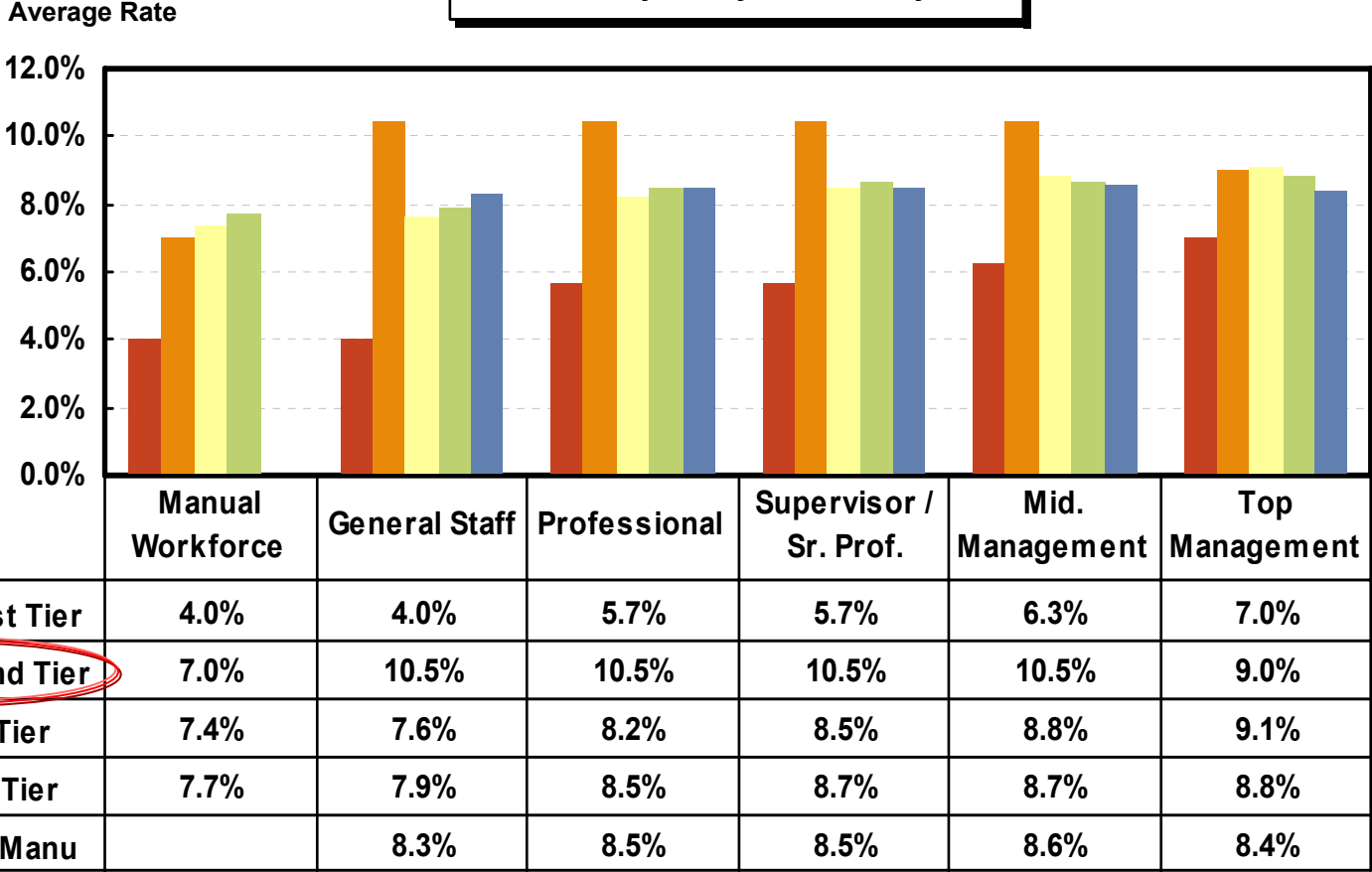


	Vehicle 1st Tier City	Vehicle 2nd Tier City	Parts 1st Tier City	Parts 2nd Tier City	Auto Non-Manu
2007 Actual	5.6%	8.1%	8.2%	8.9%	8.0%
2008 Projected	4.7%	8.0%	8.1%	8.4%	8.3%
2006 Actual	3.1%	7.9%	8.4%	9.7%	8.2%
2007 Projected	3.2%	4.0%	7.8%	8.8%	8.4%

Automotive Industry Salary Increase – By Level (2008 Projected)

■ Increases estimated in 1st half of 2007 – CPI will most likely affect the salary increases for 2008

Auto Industry Salary Increase By Level



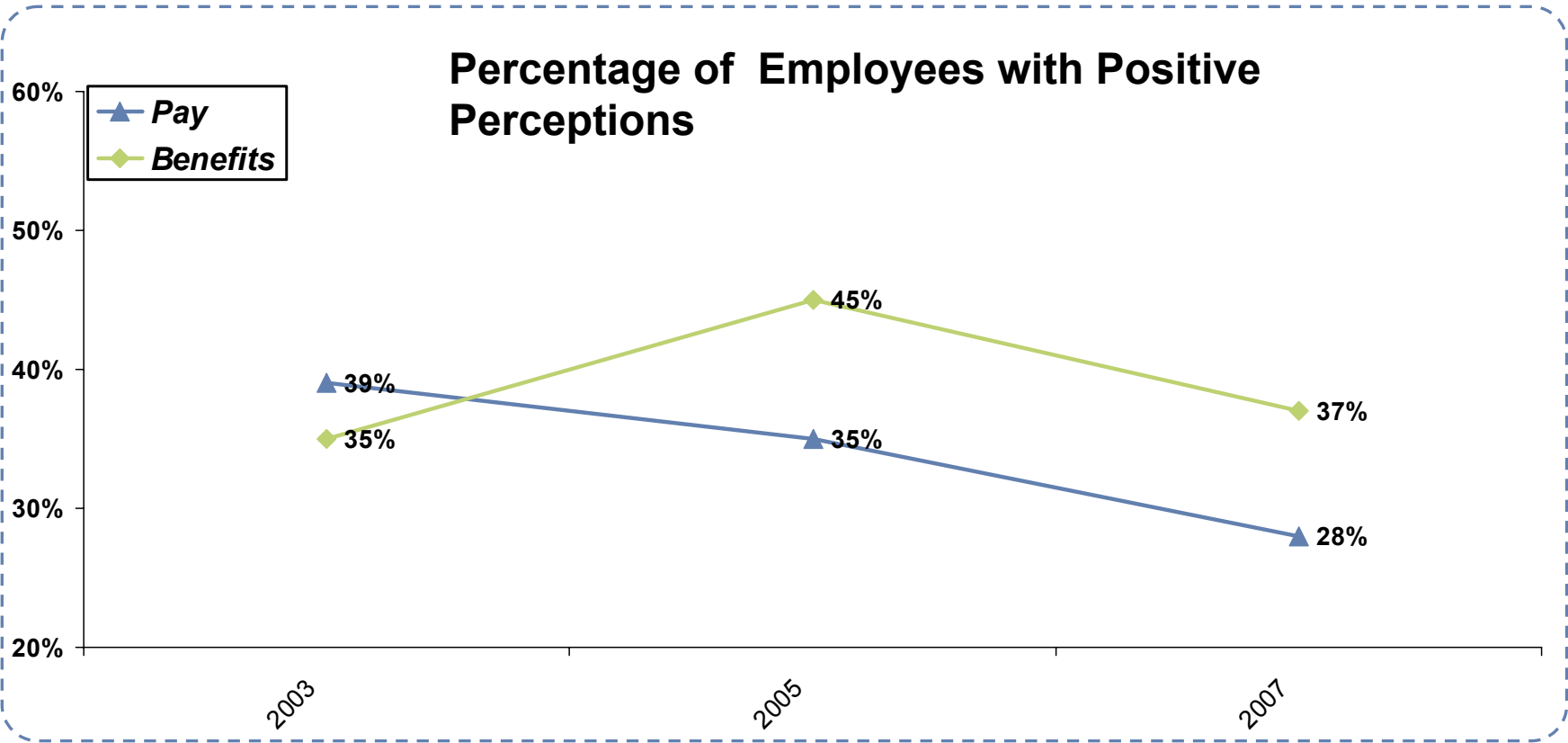


Understanding Employee Perceptions

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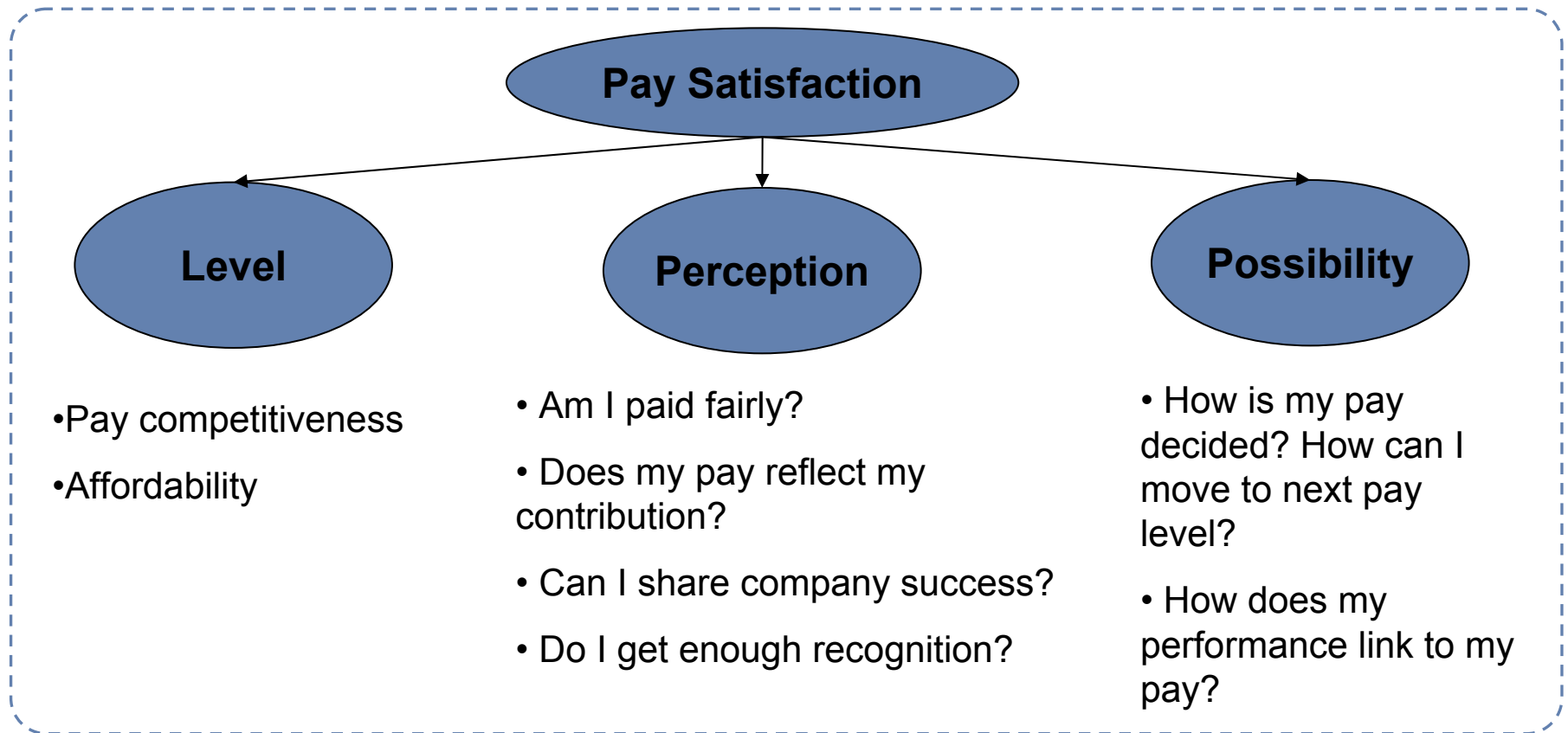
If Salaries and Benefit Levels are Rising, Are Perceptions around Pay and Benefits Increasing?



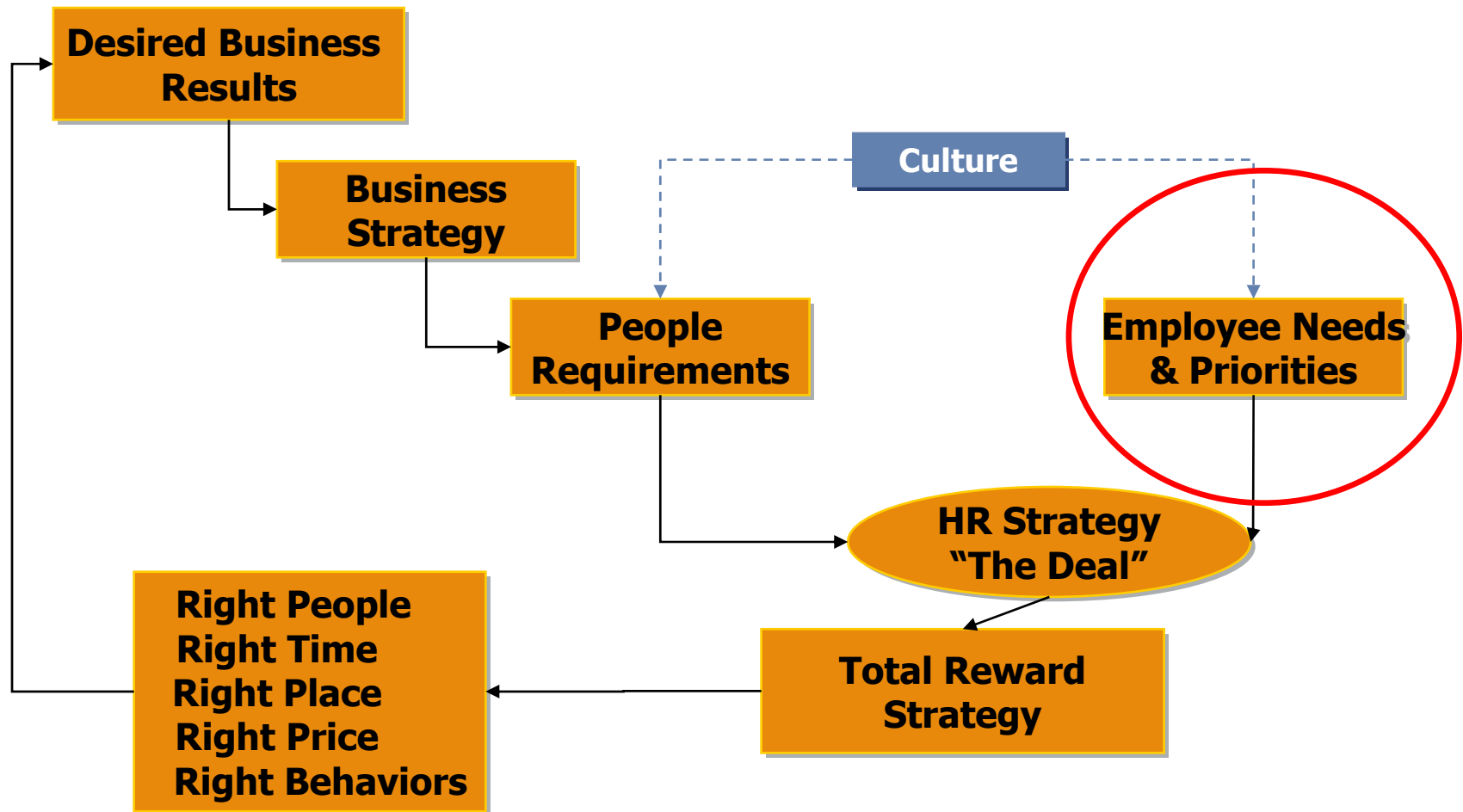
* Positive Perceptions: satisfied and very satisfied

Managing Pay Expectations in China

- Employee pay expectations are one of the most difficult issues to manage
- Employees are not satisfied by pay level alone

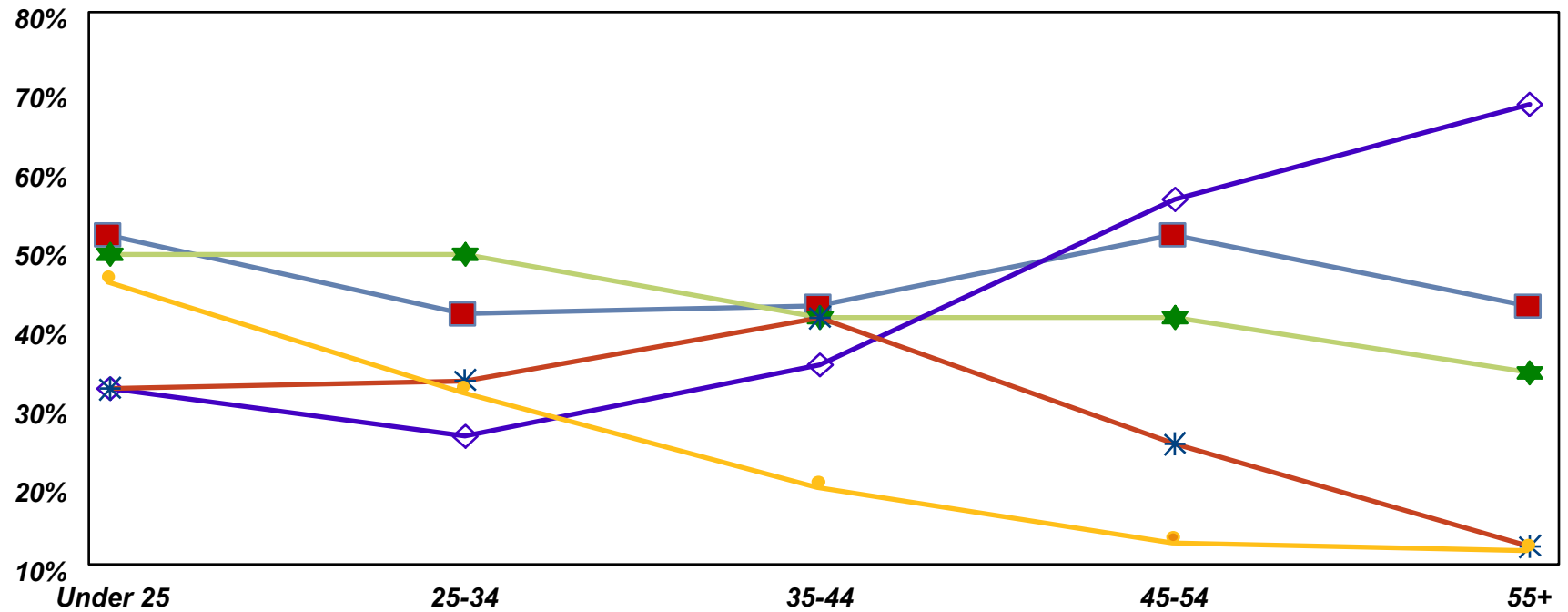


Do We Know Employee's Needs and Priorities?



Employee's Needs Varies by Age....

Employees' Top Needs, Concerns and Goals



Job Security



Financial Security



Retirement



Child's Education



Home Purchase



Retention: Employee Engagement is a Fundamental Objective

When considering retention of employees, we must first ask the following questions:

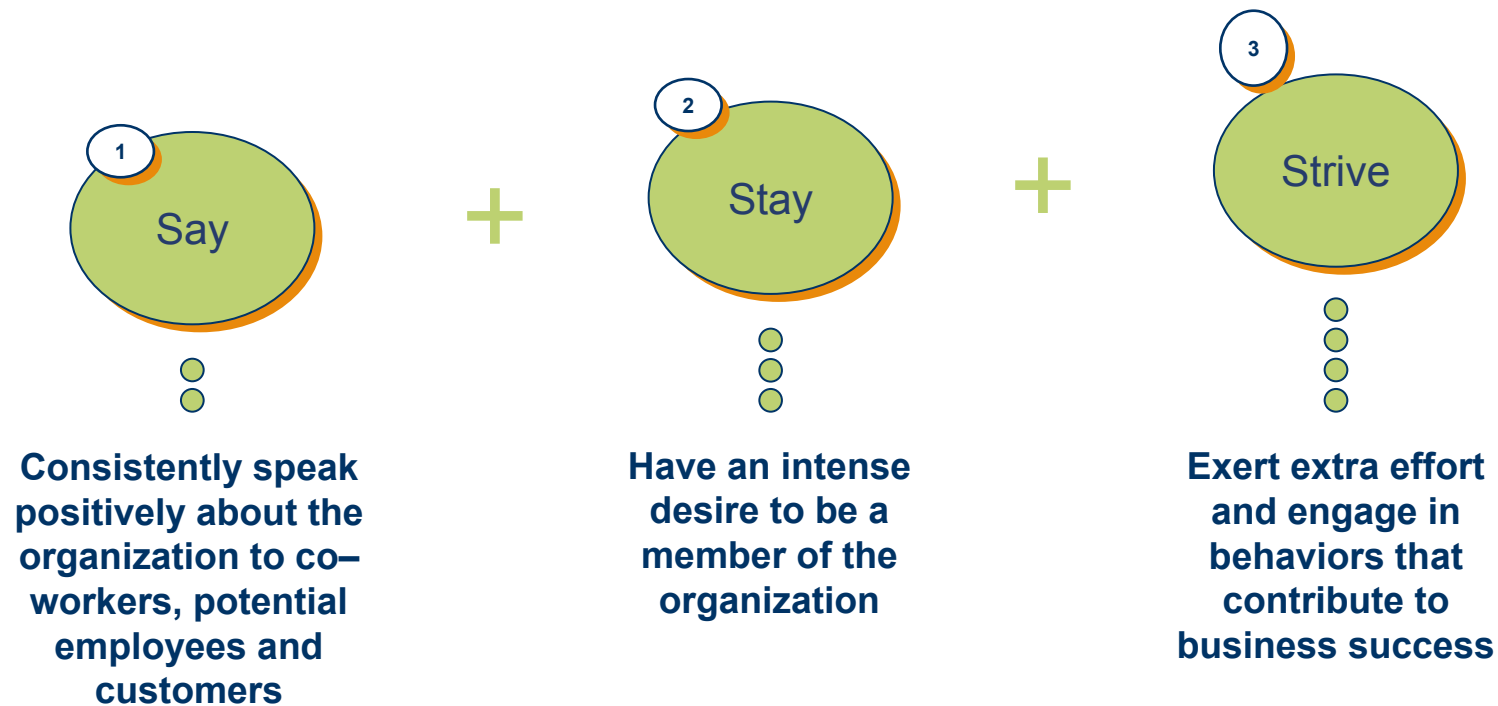
1. How Engaged are our People?



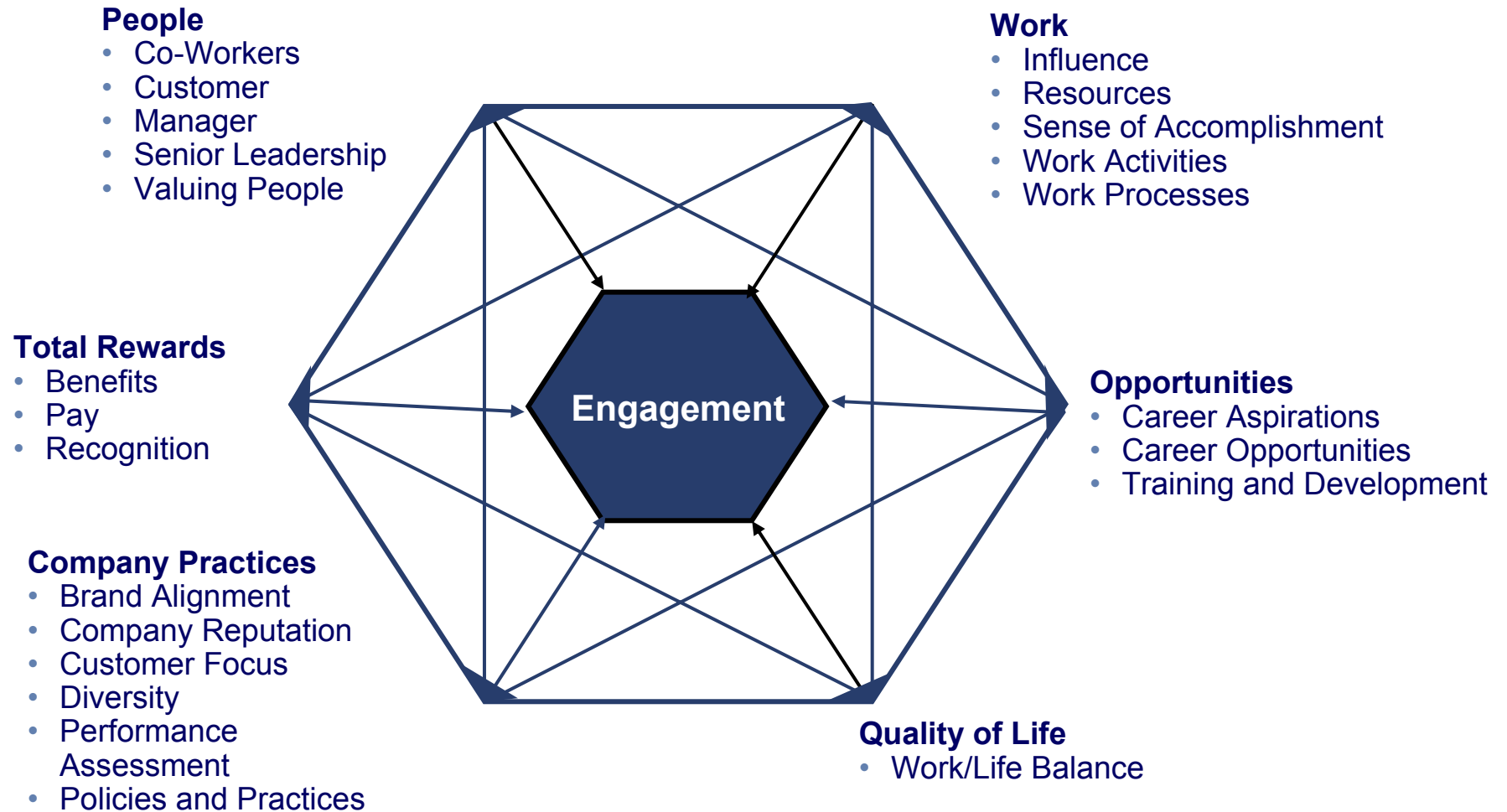
2. How can we Improve Engagement Levels?

Employee Engagement

- Engagement is the extent to which organizations have captured the hearts and minds of their employees. We call this “Employee Engagement”
- We see three key behaviors in an engaged employee:



What Drives Engagement?





Retention: Strategy and Key Learnings

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Retention Toolbox: So Many Options....

Pension & Wealth Accumulation Plan

- ▣ Pension plan
- ▣ Savings plan

Housing Benefits

- ▣ Housing subsidy
- ▣ Housing loan
- ▣ Housing fund

Long-term Incentive Plan

- ▣ Retention cash bonus
- ▣ Stock plan

Education/Career Development

- ▣ Education loan
- ▣ EMBA
- ▣ Oversea training
- ▣ Coaching
- ▣ Mentor/Shadowing

Risk Benefits

- ▣ Enhanced medical plan
- ▣ Family plan
- ▣ Annual medical reimbursement/exams
- ▣ Dental

Work Life Balance

- ▣ Telecommuting
- ▣ Club-trade/Health/Resort
- ▣ Flexible time

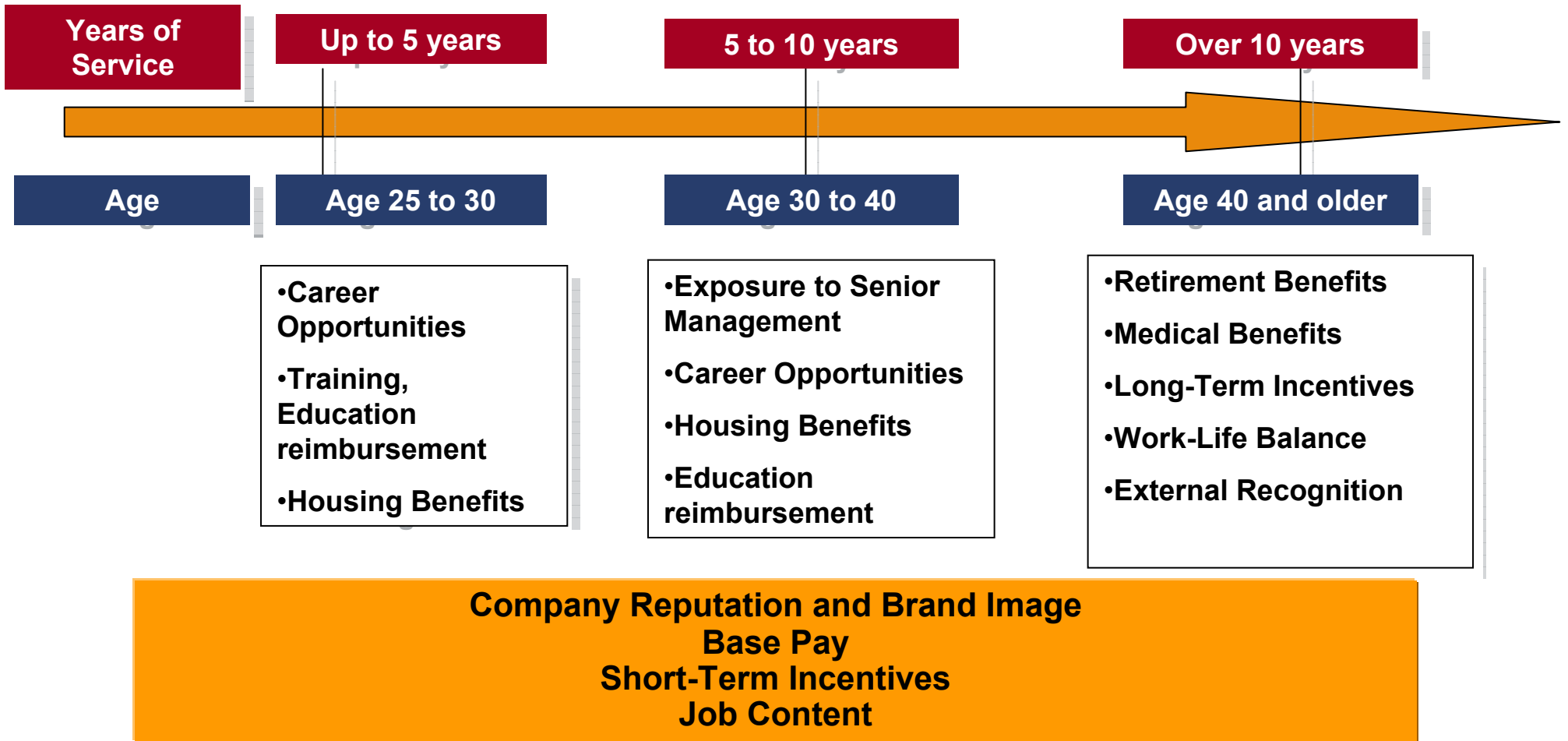
Performance management

- ▣ High performer reward program
- ▣ Leadership review

Corporate environment/Culture

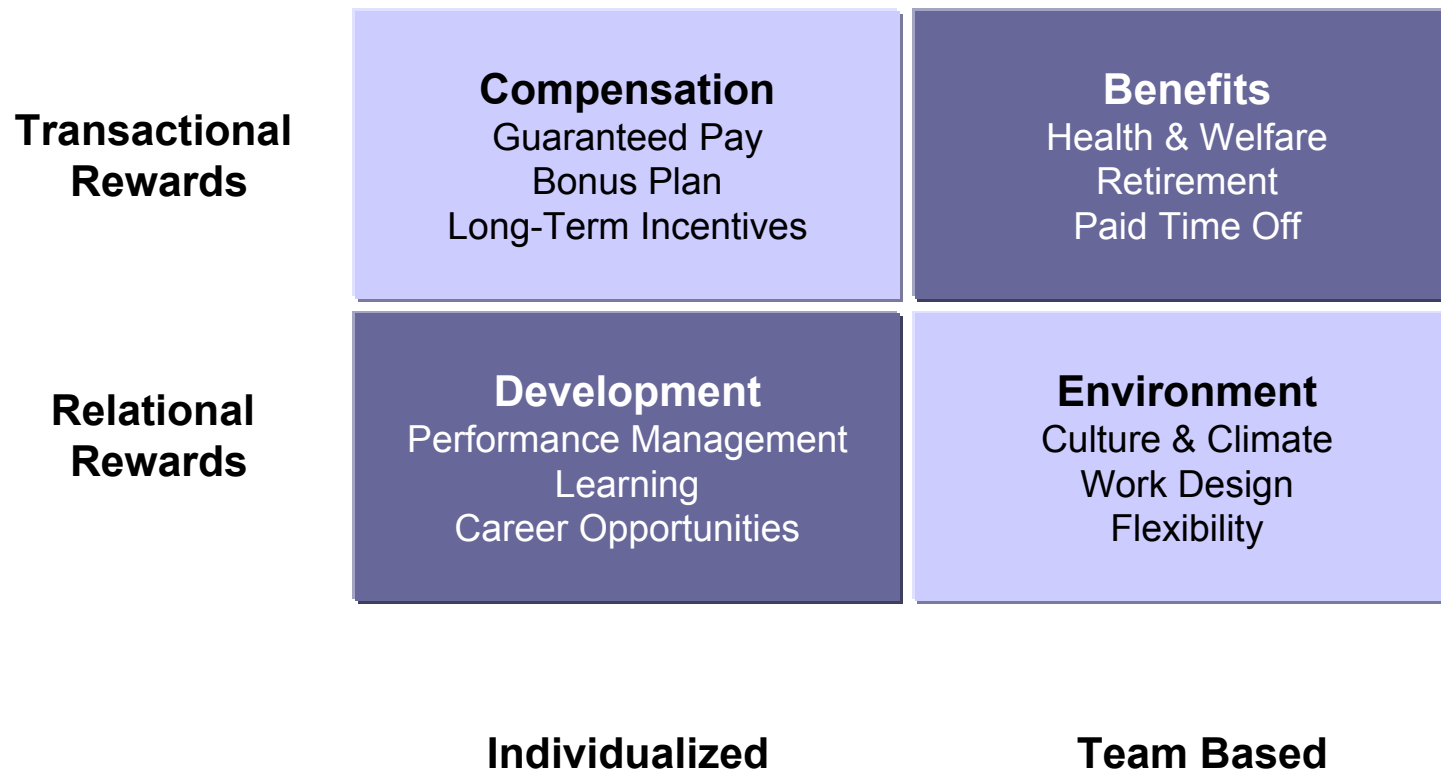
- ▣ Procedures and policies
- ▣ People
- ▣ Work

Choosing Effective Retention Programs



Today's Retention Strategy - From Total Comp to Total Rewards

- Focus on both monetary and non-monetary rewards elements



Retention: Key Learnings

- Identify key talent: by function or level
- Assess the consequences of turnover
- Understand employee motivators by demographic
 - Understand organization strengths and weaknesses
- Look at retention from a Total Rewards perspective
- Prioritize specific action items to maximize impact for retention
- Remember: retention programs may not work unless they are marketed



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Thank you! Questions?

Contact:

Susan Derkach

Susan.Derkach@hewitt.com

T: 10-6587 5800 * 5808

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