

Submission by



HOLDEN

to the

Social Policy Division of the Treasury

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Australia's Demographic Challenges

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OVERVIEW

Holden is a wholly owned subsidiary of General Motors (GM), the world's largest vehicle manufacturer. Holden employs around 9,200 people Australia-wide and has produced more than six million vehicles. The company's major operating facilities are located at Fishermans Bend (technical centre, administration, and engine manufacturing plant), Dandenong (service parts operation) and Lang Lang (proving ground) in Victoria; as well as at Elizabeth (vehicle manufacturing plant) in South Australia.

In recent years, Holden has evolved from a domestic manufacturer into an internationally competitive global company, exporting vehicles and engines to a diverse worldwide market. In 2002, Holden exports contributed \$1.1 billion to Australia's balance of trade. Since 1998, Holden's exports have increased from under 3000 vehicles per annum to 36,069 vehicles in 2003. Holden predicts that by 2005 its export revenue earnings will increase further, buoyed by global sales of V6 engines from the new engine facility in Melbourne, continued exports of Monaros to the US and through export programs to other world markets. By this time we anticipate that Holden's vehicle export business will account for around one third of annual vehicle production.

Holden's ability to maximise its opportunities as a global manufacturer of vehicles and engines is critical to its future success. Holden's strategic direction for growth requires both an expanded share of the Australian domestic market through broadening of the product range as well as expanded export volume. Our strategic direction is based on the concept of widening our range of product variants based on our single platform, and we expect these variants to evolve and change far more quickly than in the past. This strategy will allow Holden to provide the domestic and global markets with an ongoing series of new products that enter, or even create, new market opportunities, thereby providing a sustainable future for our business.

In order to support our aspirations for growth, Holden must develop the technologies and capabilities that will be required to compete in the global marketplace. The challenge for us is to be flexible and cost competitive in our products and processes, while producing technologically advanced products in volumes that may fluctuate widely over time. This scenario has obvious implications for our products and the processes that we employ, but also has significant implications for our workforce. In particular, our work practices and their flexibility, the skill sets of our employees, our ability to attract the best people, the ongoing development of our workforce and retention of core knowledge, are all important factors to consider in future.

As part of this challenge, a key issue for Holden to consider is providing flexible working arrangements for our employees in a highly structured and specialised manufacturing environment, while ensuring future sustainability and global competitiveness.

Holden is currently reviewing the demographics of its workforce and the issues that this presents for our business going forward. While this analysis is due to be completed later this year, there are some areas emerging, which may be of interest. In this submission, Holden is pleased to provide its initial views on some of these issues as they relate to the aspects covered in the discussion paper, "Australia's Demographic Challenges".

THE HOLDEN WORKFORCE

There has been much discussion recently surrounding the challenges facing Australia as our population ages. In the discussion paper, “Australia’s Demographic Challenges”, it is argued that rates of labour force participation and productivity need to be increased in order for a future Australia to be a wealthier and healthier country, and to create a world where people retiring from the workforce will be more financially comfortable and less reliant on government welfare.

The global automotive industry is undergoing rapid change with implications for Holden’s business. Holden is constantly considering developments in the external environment that may impact the future viability of its business and as part of this activity, is currently undertaking a review of the age profile of its workforce and the challenges that this may create in future.

As mentioned earlier, Holden employs around 9,200 people across its operations in Australia. Of these, 5,200 are employed in the vehicle assembly operations in Elizabeth, South Australia, with the bulk of the remaining workforce located in the various operations in Victoria and in our sales offices in Sydney, Brisbane and Perth.

The analysis of the age profile of Holden’s workforce indicates that the average age of our employees is around 37.3 years and this profile is shown in Figure 1. When considering the age profile of the Holden workforce, it is interesting to note that the distribution is skewed towards the younger age group, particularly for our hourly employees who are predominantly employed in our manufacturing operations. This has been recently impacted by the employment of an additional 1000 new employees in South Australia to support the introduction of a third shift at our vehicle assembly plant. However, for our salaried employees, more than 30% are over 45 years of age.

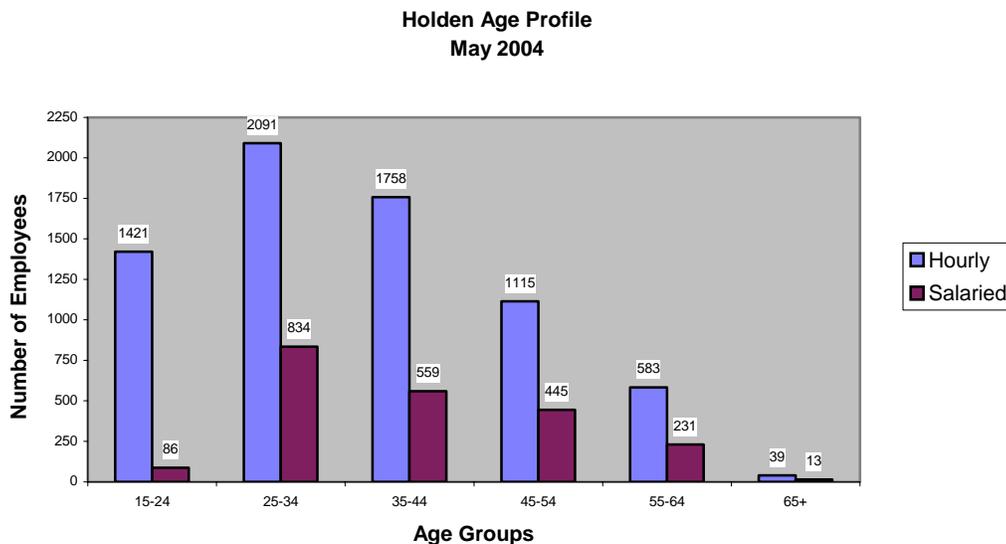


Figure 1: Age Profile of the Holden Workforce – Hourly and Salaried Employees



As we further develop our analysis of the workforce, the age profile of our salaried employees may indicate particular areas of risk for our business. These employees can be difficult to replace, particularly in the case of our engineers who have product specific technical skills and knowledge.

Despite the fact that the analysis of the broad workforce indicates that there is a pool of younger employees at Holden, it is interesting to note that this is not the case for the Holden leadership group. As shown in Figure 2, the executive group shows a concentration of employees in the 45 to 54 year age group, with the average age of the group being 46.8 years. While this is not necessarily unexpected, it is an area of concern for the future and action will be necessary to ensure that as these employees reach retirement, we do not lose a significant amount of corporate knowledge.

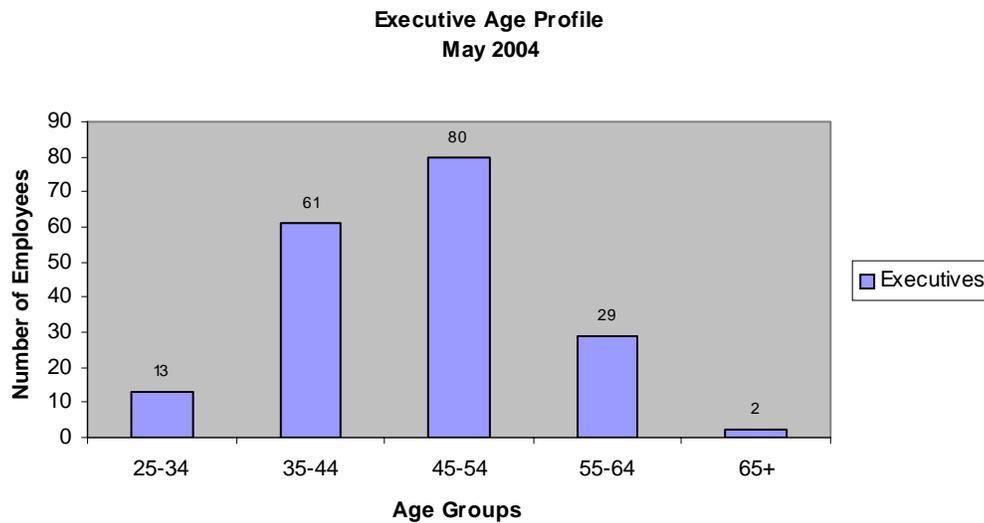


Figure 2: Age Profile of the Holden Executive Group



IMPROVING THE CAPACITY FOR WORK

“A key aspect of improving participation will be to ensure that all those who wish to participate have the capacity to do so. This will involve ensuring that our education system provides adequate and relevant training to equip our workers with the skills they require. In addition, our health system will need to focus both on preventing illness and injury and, where sickness and injury do occur, assisting Australians to return to health as soon as possible.”

Skill Shortages

The achievements of the automotive industry are dependent on the utilisation of a wide range of skills ranging from those held by advanced engineering professionals through to the expertise of traditional trade workers.¹ Recent growth in the industry has generated considerable demand for human resources at all levels. In addition, the increase in design and product development capacity, and the use of more sophisticated manufacturing practices has accentuated the demand for professionally qualified automotive engineers as well as other specialist technical personnel.

In Holden’s experience, graduate engineers are generally available but experienced engineers with a desire to remain in mainstream engineering roles are increasingly rare. The levels of experienced engineers tend to thin out over time as individuals leave the profession or move away from mainstream roles. Anecdotal feedback indicates that engineering may be seen as a career path to other areas such as program management. In particular, experienced engineers in specialised areas such as calibration are extremely difficult to recruit locally and in recent times Holden has resorted to recruiting experienced calibration engineers from overseas. In addition Holden has experienced a shortage of both graduate and experienced electrical engineers who may be being attracted to Information Technology careers.

In the area of skilled labour, shortages may be a reality for Holden in future. In our increasingly egalitarian society, there is a lack of respect for trades and a common misconception that the working environment in the manufacturing and automotive industries is old, noisy, dirty, with few career opportunities and mediocre remuneration. The traditional workforce sources such as new migrants have disappeared and with positions in the industry increasingly requiring higher-skilled workers, school leavers can be reluctant to either seek employment in the first instance or to remain in such a vocation.

It is clear that Holden needs to consider strategies to ensure that we do not have a future skills shortage and that we can continue to attract sufficient numbers of high calibre people into our business. Holden is working to address some of these concerns and supports the Youth Opportunities program in South Australia, which aims to keep young students in the north Adelaide region in school for longer. The first program has now been completed and we are finding that graduates are being considered for positions at both Holden and our suppliers. In addition, as Holden’s vehicle assembly plant is located in an area where there is a high level of unemployment, we are also

¹ Implementing Excellence in Automotive Engineering – Report of the Automotive Engineering Skills Task Force, 2003

working closely with the Office of the North to develop medium and long-term training solutions and bridging mechanisms to assist people in becoming “work ready”.

While skill shortages can be offset by employment of older workers, there are limited incentives provided by governments to do so. Under current arrangements there are no subsidies provided to train new employees who may have completed a qualification earlier in their careers. Holden believes that this discrepancy should be addressed and indeed provides opportunities for older workers, who may have been unemployed for a period of time, to successfully re-enter the workforce.

Education, Training and Employee Development

In order to meet the challenges of the changing global industry, it has been necessary for the automotive industry overall to focus on the skills of its employees. Over the last 10 years, a step change has been required in the level of investment in training and skills development. Automotive companies have lifted spending on continual learning activities to in excess of 4% of total wages.

The outcome of the focus that has recently been placed on education and training in the industry is that the qualification profile is now changing. Between 1995 and 2000 the following increases have occurred at the four vehicle manufacturers.²

- 45% increase in the number of post-graduate degree holders;
- an increase of 339 persons with graduate degrees;
- a doubling of the number of employees with TAFE qualifications;
- a 33% reduction in the number of employees without post-secondary qualifications.

In Holden’s manufacturing operations, the introduction of the Vehicle Industry Certificate (now named Certificate II in Automotive Manufacturing) in 1992, as part of the Award restructuring process, has been progressively integrated into General Motors’ Global Manufacturing System. As a result, all new employees are selected on the criteria and expectation that they will complete this AQF-2 level accredited qualification that is linked to pay progression in the classification structure. As a consequence, production employees have now typically completed year 11 or 12 schooling in contrast to the much lower levels previously. The Certificate II also recognised multi-skilling and job rotation and supports Global Manufacturing Best Practice Principles such as lean manufacturing and “right first time”, and provides an emphasis on continuous improvement and the integration of people and technology working together. As a result, these employees are provided with a range of skills that would be suited to a wide range of industries in the manufacturing sector.

² The Allen Consulting Group and Deloitte Touche Tohmatsu, Report to FCAI and FAPM - “The Automotive Industry’s contribution to the Australian Economy: A Modern Perspective”, 2002.



The trade employees have also been trained to a high standard in the industry and most have achieved post-trade accredited qualifications along with their extensive on-the-job experience. While they are considered to be relatively mobile across the industry and their trade function, turnover in the trade group is low at Holden and the average service is higher than that of the production employees.

Holden has increased its focus on educating and improving the skills of its employees and has created a learning environment in its workplaces. The most recent 12 months data indicates 7,130 employees have completed some form of training, which represents 78% of Holden's overall workforce. There has been a substantial increase in training activity over the last twelve months, with total training hours increasing by 84% overall to 192,467 hours. When compared with the previous year, training undertaken by salaried employees overall, increased by 19%, with training hours by hourly employees more than doubling. This reflects a significant amount of initial training as a result of the introduction of the third shift and the start-up of the Global V6 engine plant. This data does not include individuals undertaking study, which is not subsidised by Holden.

Examples of areas where Holden is focusing attention on employee development include:

- Bachelor of Engineering – production and trades employees have the opportunity to undertake engineering studies in conjunction with Deakin University on-site
- Apprenticeships - in the technical/trades areas in the Manufacturing and Engineering Departments in Victoria and South Australia
- Internal opportunities for learning and development – in technical skills development as well as interpersonal competencies and team development, conducted at Holden's dedicated "Learning Centre" in Victoria
- Company sponsored studies – Holden provides financial assistance and study leave for employees who wish to pursue further formal study, up to Post Graduate level, in order to further advance their careers
- An emphasis on leadership and management development – programs designed specifically for Holden by accredited management colleges
- Literacy training for employees
- Overseas assignments and development projects - for a range of levels (technical to management) of up to 3 years duration as part of General Motors' International Service Personnel (ISP) program
- Extended leave – career breaks of up to 2 years for employees who wish to pursue travel or study overseas, or accompany a partner on a business / study assignment



In 2003, Holden participated in GM's Technical Education Program (TEP) program. Holden's participation in 2003 was in the form of a pilot program for technical officers to undertake engineering degree studies. TEP is General Motors' award winning, corporate-sponsored education program. Since 1984, the TEP has partnered with leading universities to provide job-related education to GM professionals. Delivered through the flexibility of distance learning technologies, the program makes high quality, flexible education from top-ranking universities easily accessible to GM employees.

To retain our employees Holden must provide them with continuing opportunities for development and satisfaction in their careers, Holden is considering ways it can encourage employees to think more laterally about their careers - that there is value in career progression across the organisation, not just the traditionally held view that progression is only valuable if it is upwards via promotion. In addition, as our workforce ages it is likely that people will work for someone who is younger than them, which will require internal efforts to change the widely held view that age implies seniority, while encouraging respect for wisdom regardless of age.

Holden will continue to invest in the ongoing development of our employees as a necessary infrastructure cost to ensure that our future goals can be attained. But the responsibility for preparing future employees, either at a secondary or tertiary level, to enter a manufacturing sector undergoing rapid change and facing increasing international competition, must be taken by both industry and Government. The quality of our local labour pool is a key factor in attracting ongoing investment not only in the automotive industry but also in manufacturing as a whole. While advances have been made in recent years, there are still further opportunities for improvement.

In Holden's view, education is one of the important levers to influence future economic development, and we encourage efforts by government to consider a comprehensive education strategy.

Health

The occupational health and safety of employees is a high priority at Holden and is an important factor in optimising their capacity for work. As we encourage employees to remain in the workforce longer, Holden sees particular challenges facing its activities in a manufacturing context.

The older employee age groups in the Plant workforce entered the industry when jobs were more task and area specialised with less exposure to multi-skilling and skill acquisition. This group that is approaching retirement has adapted to the new environment but still tend to be more reluctant to move into different functions and areas of the Plant that are unfamiliar. Consequently, this could impact on their desire and ability to transition into alternative employment outside the industry. In addition, Holden may need to recruit increasingly older workers with implications for job design, physical requirements and occupational health and safety.

As a result, designing our manufacturing processes from an ergonomic perspective will be increasingly important as generally, the risk of injury can increase with age. Holden will need to consider ways to make the work that is performed in the manufacturing

environment less physically demanding and this will require modification of our workplaces.

Holden has recently shifted its focus to a more holistic approach to health and well-being, which incorporates preventative health initiatives and encourages people to take responsibility to educate themselves and take positive, proactive steps to improve their own health.

“Health” is one of the four major parts of the Holden Work Life Flexibility strategy and a project team has been developing a program to assist employees to enhance the health and well-being aspects of their lives, both at work and outside of work. These initiatives we believe help to improve the capacity of our employees for work and assist in the retention of our employees.

Some examples of the positive health messages that Holden has promoted in its workplaces include:

- Flu injections, which are available at our onsite medical centres
- Support of Heart Week - this was celebrated at Holden from 2nd to 8th May 2004 and included healthy heartwise meals and recipes provided by our onsite canteens. In addition our medical centres' professionals conducted free blood pressure and cholesterol testing for employees, which were taken up in large numbers.

Holden has also had an Employee Assistance Program available for its employees for more than 10 years. The service is conducted by professional psychologists and social workers, is voluntary, free and confidential. The program has been utilised by around 4% of our workforce and employees can either self-refer, or referrals can be made by managers, Human Resources personnel or colleagues.



BETTER INCENTIVES

“Paid work provides us with many benefits. It provides us with the opportunity to satisfy our basic needs. It gives us the opportunity to develop personally, live independently, and interact socially. Paid work also is important in giving us the opportunity to increase our savings for retirement.”

Superannuation and Retirement

At Holden, all employees engaged prior to 1 July 2003 became members of the Holden Employees Superannuation Fund on the day that they commenced their employment with Holden. For these employees, the fund provides a defined retirement benefit, based on the average salary during the final 3 years of employment. Under this fund, early retirement can be taken up when an employee reaches the age of 55, which historically has been an attractive option for many employees.

From 1 October 2003, the Holden Employees Superannuation Fund was closed to new members and all employees engaged after 30 September 2003, now join one of the nominated external accumulation funds. The change to a defined contributions fund provides greater flexibility for the individuals concerned as external accumulation funds are more compatible with the current environment of higher turnover, mobility and career planning than the traditional notion of remaining with the one company for life.

As Australians live longer, they will need greater savings to live comfortably in retirement. Holden recognises that this expectation of retiring at age 55 will need to be reversed. It will also be an economic necessity for employers to manage and retain the skills and knowledge of their mature workers, as forecast population statistics indicate that replacements will not be readily available. We would suggest that with improved health and longer life expectancy, employees will either want to, or it will be financially necessary for them to, work until they are older.

Incentives to Attract and Retain More Women

The automotive industry has not historically attracted the same numbers of women in comparison to other types of manufacturing industries but this is gradually changing. Holden has increased the percentage of women in its workforce from 8.7% in 2000, to around 9.7% in 2004. While Holden has been able to make significant improvements in the numbers of salaried women in its workforce, there are still challenges in increasing the number of women in our manufacturing operations. This is further detailed in Table 1.



Females	2000 April	2001 April	2002 April	2003 Aug	2004 April
<i>Hourly</i>					
Number	506	473	476	481	517
%	7.7	7.8	7.8	7.0	7.4
<i>Salaried</i>					
Number	213	219	263	312	369
%	12.9	13.3	15.0	16.0	17.2
<i>Total</i>					
Number	719	692	739	793	886
%	8.7	9.0	9.4	9.0	9.7
TOTAL EMPLOYEES	8237	7700	7823	8770	9159

Table 1: Women at Holden

Holden believes that increasing the diversity within its workforce will assist in improving innovation and our business outcomes, and increasing the number of women in the workforce is a key part of this challenge. In fact, as the population ages there will be a greater reliance on women to join the paid workforce in order to sustain the Australian economy generally.

Women face particular issues in balancing paid work with other responsibilities, especially in their role as carers for children and elderly dependents. In 2002, Holden was one of the first organisations to introduce 14 weeks paid maternity leave for employees with over 2 years service.

The rationale behind this decision was that at around 9% of our workforce, the number of female employees in our business was too low. At this time, the attrition rate for females in our business was high. We had also noted that about 33% of female employees did not return to the workforce following maternity leave, which was a significant cost in terms of lost knowledge, recruitment and retraining. Following the introduction of these provisions at Holden, the return to work rate after maternity leave has increased from 67% to more than 92%, and feedback from these employees reveals that mothers are extremely pleased to have this paid time with their child before they decide to return to their role at Holden. The flexibility in working arrangements that Holden offers its employees following maternity leave is also an important factor in the increased retention rate.



FLEXIBLE WORK OPTIONS

“With much reduced growth in the working age population in the future, it will be essential that we generate jobs for those who want them – including those who are currently unable to find a job at all, or who are looking to increase the hours that they work. More flexibility will be required, as will conditions conducive to job creation, such as reducing the amount of regulation imposed on those seeking to negotiate mutually beneficial wages and conditions.”

Improved Flexibility in the Workplace

Providing more flexible work options for employees and employers is an important challenge for the future. For Holden, this must be considered in the context of our manufacturing environments as well as for other areas of our business. The traditional “office” workplace culture places great emphasis on presence and visibility, and moving forward there will need to be significant cultural change and a greater emphasis on trust to support our work life initiatives. In the case of the manufacturing workplaces, the provision of more flexible working arrangements presents some particular challenges.

As worklife balance becomes an increasing concern for our employees, it is expected that flexible work options will become necessary in order to attract and retain our employees. The flexible working arrangements that have been adopted within Holden include part-time work, job sharing, and teleworking (or working from home). Currently less than 1% of Holden’s employees are employed on a part-time basis. More than half of the female employees who take maternity leave at Holden request some form of flexibility in their working arrangements on their return to work, and while flexible working arrangements are available for our male employees, the level of interest at this stage has been low. In the years to come, we would expect that this kind of flexibility would be of increasing interest to our older workers as they consider their options as they approach retirement.

It is our expectation that older workers will want to make a gradual transition out of the paid workforce by accessing flexible working arrangements that will assist the individual in terms of their physical, emotional and financial well being, and this will benefit the organisation by slowing the knowledge drain. A period when an older employee’s knowledge can be passed onto others in some form of coaching or mentoring role can be of mutual benefit to the employee and employer.

However, flexible working arrangements will be more difficult to accommodate in our manufacturing operations. Holden operates highly complex manufacturing plants on two and three shift operations. In general, our production workers have skills, which are often specific to the particular areas of the plant where they work and we are limited in our ability to transfer labour to different work activities from shift to shift. As an example, the vehicle assembly line requires a set number of employees to operate the line. In order to cover absences through illness and approved leave, additional people are employed. However, to accommodate individual flexible working arrangements, additional employees would need to be engaged to accommodate these arrangements, which may

not be practical in practice with respect to the skill requirements and Holden's competitiveness in the marketplace.

These characteristics of our manufacturing operations are likely to have significant challenges for Holden's ability to provide the kinds of flexible working hours that may be requested by our employees.

Tailored Wages and Conditions

The issue of flexibility is not just restricted to the employees' requirements of the company. In addition, Holden increasingly requires flexibility in the work practices of its employees.

Holden has enjoyed a co-operative relationship with the unions in terms of development of industry specific qualifications and training packages. Realistic appraisals of future trade positions, which consider the requirement for multi-skilling needs to occur and to do this, old demarcations need to be removed and a more flexible model adopted. In addition, we have also identified a critical business need going forward to have a temporary flexible labour arrangement whereby we can "top up" our core labour force during peak periods.

The Government's involvement in building an appropriate model, which considers the roles and flexibility required for the future, is necessary along with assistance in overcoming any legislative impediments.

Family Support

Many of Holden's leave provisions are designed to meet the needs of employees and their families when specific life events occur such as bereavement leave, family leave to care for a sick dependent, community service leave to attend to community or emergency situations and personal business leave when moving house. Holden is currently enhancing this strategy and is considering a number of additional initiatives to provide further support.

However, there are other ways that government and employers can assist in supporting parents and families. The availability of high quality childcare places for pre-school and school aged children is an issue that still causes serious concern for many working parents. The incentives for employers to provide onsite childcare have been eroded and yet for some parents, this type of childcare would be the most convenient and cost effective option and would assist in their transition back to the workforce after a period of parental leave. It was pleasing to see the increased focus on family benefits and childcare places in the recent Federal Budget. However, in Holden's recent experience, the difficulties in finding childcare is delaying and restricting the return to work options and we will be monitoring the effectiveness of the new provisions for our employees.