Global Labor Market & Regulations Insights (July-August 2022)

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Did you know? Perspective on the remainder of 2022

Will prices continue to go up? Will they go down? Economists, political leaders and central bank governors are involved in a high-stakes game of economic roulette, trying to make the best wagers on whether inflation will be curbed in the second half of 2022, or whether it will push the world into recession.

However, inflation is not just an economic force and the price of gasoline and basic commodities are not its only victims. Working people suffer in all kinds of ways when price hikes run rampant. How does the very presence of inflation effect our day-to-day lives?

- A June 2022 survey from McKinsey finds that inflation has replaced geopolitical conflicts and COVID-19 as the greatest perceived threat to economic prosperity. While those two concerns remain top-of-mind in Europe – understandable given the continuing war in Ukraine – even on the continent inflation has become the number one worry.
- The biggest concern with inflation – beyond the difficulties it creates in making ends meet – is whether it will trigger a recession. In the United States, two consecutive quarters of economic contraction has certainly heightened fears of a recession. However, in most areas of the world where economic growth has slowed or reversed, job creation continues to be strong. It's important to remember that most of the world's central banks, when they increased interest rates almost in unison, were trying to trigger a slowdown. We can only hope interest rates go back down when that slowdown arrives.
- Geopolitical risk has started to manifest in many different ways other than armed conflict. In the United States, President Biden is facing a monumental challenge to keep his majority in the House of Representatives when mid-term elections occur in November. In France, President Macron lost his majority in Parliament, UK Prime Minister Johnson resigned after multiple scandals and the coalition government in Italy imploded, leaving the country – once again – facing political turmoil.

Why it matters: The one constant through all of this upheaval is the global skills shortage. The need for business organizations to develop talent through internal mechanisms, both to fill future jobs and reduce misalignment – workers trapped in the wrong jobs – continues to be a pressing issue. One that seems to be able to persist through pandemics, conflict and economic uncertainty.

Employers must keep in mind that a recession will even exacerbate the global skills gap. They should keep in mind that **'fire and rehire' strategies are expensive** and often ineffective given the speed at which skills become obsolete**. Further, talent with the most sought-after skills will likely be retained.** And the tech talent entering the market is picky about an employer's social responsibility and career opportunities.

Businesses must think of their workforces as key assets in uncertainty, not as costs. Whenever you are making talent management decisions, maintain focus on three critical areas:

Future-proof the employer value proposition	Upskill and create career mobility opportunities	Hire and reskill for high-value positions, including leaders
Respond to workforce demand	**Maintain agility and performance**	**Create market leadership**

Country updates

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Political uncertainty in Italy, the UK and France

In Italy, Mario Draghi resigned as Prime Minister after his coalition government unravelled, pushing the country into a snap general election in September, which polls suggest right-wing parties could win.

Meanwhile, in the United Kingdom, Prime Minister Boris Johnson was forced to resign as party leader by his own caucus. A leadership vote will take place on September 5, with former Chancellor Rishi Sunak and Foreign Secretary Liz Truss facing off on the final ballot.

And in France, as per our June Report, President Emmanuel Macron lost his majority in the National Assembly with huge gains a left-wing alliance and far-right party.

Why it matters: Political uncertainty, fuelled by slowing economic growth and high inflation, will mean increased stress for workers. Losing his majority in the National Assembly puts a number of Macron's major policies in jeopardy, including pension reform, tax cuts and other measures to combat high inflation. In Italy, the dissolution of the Draghi coalition has threatened economic reforms needed to access €19 billion in EU pandemic recovery funds. And in the UK, the Conservative leadership crisis has hampered the government's ability to battle inflation and energy prices as candidates fence over competing solutions. That has left the country with a weak economic growth outlook, a week Pound and growing unrest among employers and investors.

United States

The Biden administration is feeling the heat from high inflation and lingering threats of recession. The situation grew politically perilous when the IMF cut its forecast for US growth this year to 2.3 percent, a drop of 0.6 percent from its previous estimate. Then, the US commerce department reported in July that the US economy shrank in the first two quarters of 2022.

Even so, the BLS July jobs report was promising. Employment rose by 528,000 jobs and the unemployment rate declined to 3.5 percent. Interestingly, the Great Resignation showed no signs of slowing down. The BLS report indicated the voluntary separation rate was 2.8 percent, the same as June.

Worries about the impact of inflation on economic growth are forcing some big employers to pare back hiring plans. Google told employees recently it would be "slowing the pace of hiring for the rest of the year" as the threat of recession rises, following similar moves from Microsoft and Facebook's owner Meta. Other employers, however, are using layoffs to prepare. A recent PwC survey of 700 senior executives found that 51 percent of employers have started or have already planned for layoffs. Another 19 percent are considering downsizing.

On the positive side of the equation, Biden used his majorities in the House of Representatives and Senate to pass a sweeping climate change and health care bill. The omnibus legislation would make historic investments in measures to reduce greenhouse gas emissions while also capping drug costs for Medicare recipients.

Combined with other legislation, such as the CHIPS and Science Act (CSA), millions of new jobs will be created in the development and manufacture of things like EVs and batteries, and semi-conductors. The CSA provides nearly US$53 billion to US chipmakers, to make America less reliant on foreign-made computer chips.

Why it matters: The US economy is still sending mixed messages while the majority of observers expect a recession hitting towards the end of 2022. Investments made by the Biden government – e.g. CHIPS, infrastructure and Climate bills – are expected to create good quality jobs and support the US competitiveness in key industries: compensating for investments and reducing the geopolitical dependencies will positively impact the resilience of the US labor market.

Spain

In a bid to preserve employment, the Spanish government has extended a law that prevents companies benefitting from state aid to use increased energy costs as valid ground for layoffs. The law will remain in force until 31 December and companies that fail to comply will have to repay the government support.

The Ministry of Labour emphasized that this is not a ban on layoffs, but a signal that the government does not consider the impact of the war or energy costs as a justified cause for layoffs.

Why it matters: Spain continues to be one of the hardest hit economies in Europe. The Spanish law is a bold effort to convince employers to find alternatives to layoffs going forward.

Industry updates

Energy

In the face of rising energy prices and dwindling supply, the Council of the European Commission adopted a resolution to cut natural gas consumption by 15% to avoid shortages this winter if, as many fear, there will be a disruption of gas supplies from Russia. Member states agreed to reduce their gas demand between August 1 and March 2023 by whatever means they found most effective.

The plan reflects growing concern that Russia, the EU's top supplier, could further cut exports of gas well beyond current levels to protest European support for Ukraine.

Why it matters: Energy prices have reached an all-time high now and, along with rationing, there are concerns it could trigger a recession and widespread job losses.

Skills in the Digital Sector

The EU launched a new public-private partnership under the Pact For Skills to promote lifelong learning and foster skills development in the digital sector.

Employers will be encouraged to develop their training programs through access to three hubs: the Networking Hub (to help companies find partners to support training); the Knowledge Hub (training curriculum and best practices); and the Guidance and Resource Hub (information on funding). Any individual company, school or other public or private institution can join.

Why it matters: According to the European Commission's Digital Economy and Society Index, only 54% of European adults have basic digital skills (vs. the EU's 80% target). The public-private partnership aims at closing this gap and fuel the necessary digitalisation of businesses.

Gig Economy

In Australia, Uber and the Transport Workers Union of Australia (TWU) reached an agreement this summer calling on government to create an independent regulatory body to create and enforce industry-wide standards for gig employment.

The agreement comes just before Australian Prime Minister Anthony Albanese and his government are expected to bring in new gig economy regulations. If adopted, the body would have the power to set minimum wages, resolve disputes or allow platform workers to be represented by a trade union.

Why it matters: In the wake of similar agreements in Canada and the UK, this Aussie agreement shows that reforms on gig work are progressing and that the sector aims at anticipating these legislations and co-shaping them as the subject is highly controversial.

The Adecco Group has studied platform work and has long supported measures to protect workers in all forms of work.

Industry updates

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Automotive

The European Automotive Skills Alliance will be holding their first conference in Stuttgart, Germany on September 29-30, 2022. The event will bring together stakeholders from all boards to develop ideas and strategies to further the sector's skills transformation. The Conference will seek to discuss views on how to reconcile the human approach with the technological developments.

As a founding member, the Adecco Group has contributed to the evolution of the consideration to the human transformation and will participate in the discussions on different panels with learnings from practical examples. Manufacturers, suppliers, social partners, training institutions and any further contributing organizations are invited to register and participate.

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President Biden signed the Climate Bill which will open up tens of billions of dollars in subsidies for high-tech electric-vehicle plants across the South and the Midwest. Tesla, Ford, GM and others have already started to assemble their battery footprint. The package is a major economic push for the Midwestern and Deep South regions —being called the new Battery Belt — where manufacturers are building lots of electric-vehicle-related factories.

Why it matters: The auto industry has invested billions into electric vehicles and battery manufacturing facilities across North America over the last couple of years. They will now be eligible for large federal loans and tax credits to offset those costs and spur additional investment. To this end, they need to meet domestic-content requirements for electric vehicles and fuel a rapid build-out of manufacturing capacity for electric vehicles and batteries, and their components. And their overall challenge will remain: how to ensure the timely transition of skilled workers to support the transformation.

Consulting Industry and the Circular Economy

Bain & Company, a global consulting firm, this summer enrolled all of its consultants in France and the Netherlands in a new sustainability course developed in collaboration with two leading European academic institutions. The compulsory training, which will involve 40 hours of course work, will cover a wide spectrum of issues such as climate change modelling, food transition or sustainable supply chains.

For Bain, this is a significant ask. However, with rapidly increasing demands for ESG fluency in the business consulting industry, firms must show they have knowledge and expertise to advise their clients. Globally, industry experts believe the ESG consulting market will grow to more than US$16 billion by 2027. Not surprisingly, other consultancies, including Axa and Accor, have launched similar learning initiatives.

Why it matters: The growth in ESG consulting services reflects the fact that both sustainability and skills development have become critical business issues. In fact, skilled talent are increasingly assessing potential employers based on their ESG fluency and skills development. A recent survey shows, among other things, that 70 percent of Gen Z workers are more likely to work for organizations that have a strong green footprint. With a talent skills shortage fuelling a continuing war for talent, these investments will be increasingly important.