

Global Labor Market & Regulations Report

Insights from October-November 2022

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Are we going into a recession? Are we already there? Depending on what source you go to, you can find the answer “yes” to both questions, and some pointed “no’s.” The fact is that the global economy is still so big and diverse, it’s impossible to say that what happens in one country, region or sector will trickle down to everyone else.

What are the pundits saying?

Bloomberg Economics highly valued economic forecast model hit [“100 percent” certainty](#) that a global recession will hit no later than October 2023. The recession probability models used by Bloomberg economists indicated that “tightening financial conditions, persistent inflation” and the likelihood of more central bank interest rate hikes helped galvanize their prediction.

Bloomberg’s predictions are typically solid. But if you need more evidence of the looming economic slowdown, a World Economic Forum [survey](#) found that seven out of 10 chief economists believe “a global recession is at least somewhat likely.”

Not everyone is quite as certain. The National Bureau of Economic Research reported that despite two consecutive quarters of negative economic growth in the U.S., it does not believe a recession has arrived. Echoing that analysis, a recent [Forbes magazine summary](#) of analyses found that economic growth in 2023 could range from +0.1% and -0.4%, a condition that some economists are calling this the “pasta bowl recession.” In other words, a recession that is long but not very deep, like a pasta bowl.

If that’s not enough to make you scratch your head, then consider the opinion of economists from Goldman Sachs, who issued a statement in late October expressing concern that the U.S. and global economy may end up in an “accidental recession” brought on by the efforts of central banks to fight inflation with higher interest rates. Central banks believe, with good reason, that higher rates slow consumer spending and bring down inflation. However, less spending also means fewer jobs for people who make things and provide services.

Three Pivotal Elements to Keep in Mind When Reading Economic Forecasts



Sustainability. Employers that focused on building sustainable workforces (retraining, reskilling, redeployment) may be more resistant to recessionary conditions.



Engagement is a first casualty of recession. Employers will need to be transparent and accountable in telling employees if there is trouble coming. Otherwise, they will disengage.



Leaders will need to be Emotionally Intelligent. Whether it’s overseeing layoffs, or managing a nervous workforce, empathy and communication will be paramount.

Country updates

China

Chinese President Xi Jinping was elected to a historic third term as the general secretary of the Chinese Communist Party. Xi also serves chairman of the Central Military Commission and first secretary of the Chinese Communist Party.

Xi's precedent-setting third, five-year term confirms a widely held assumption that, having eliminated term limits for the secretary general in 2018, he plans to serve indefinitely. Xi, 69, is already a year older than the informal retirement guideline age of 68.

With internal party politics mostly out of the way, many observers hope Xi and his team will turn their attention to the state of the Chinese economy.

Why it matters: International analysts voiced concerns about the shift in the party's top leadership body, which appears now to be more focused on security (Taiwan sovereignty, rivalry with the U.S.) than on economic reforms. That focus, along with Xi's now unassailable hold on power, [spooked international markets](#): Chinese stocks listed in Hong Kong and New York suffered huge losses in late October, while the yuan fell to its lowest level in 15 years against the U.S. dollar.

Xi's philosophy of turning China into a "modern social country" appears to be colliding increasingly with the country's tech sector, which is viewed by many Chinese as a hallmark of capitalism. Even the titans of Chinese business, such as online retailer Alibaba, have suffered [drops in share prices and layoffs](#).

As tensions between China and the U.S. intensify, and supply chains continue to be sluggish, Chinese companies are expected to suffer. The Hang Sen Tech index has already fallen by 10 percent this year.

United Kingdom

Political uncertainty continues to shake up the UK at the same time as it faces enormous challenges from high energy and food prices, increased interest rates and a profound decline in the value of the British pound.

After only 44 days in office – the shortest term ever for a British prime minister – Prime Minister Liz Truss resigned after her caucus revolted over her extremely unpopular decision to deeply cut taxes to spur economic activity. "Trussonomics," as it was dubbed, crashed markets, hammered the pound and ultimately eroded any faith in Truss.

Rishi Sunak – former chancellor under Boris Johnson and Truss' opponent in the September leadership race – took over as prime minister after winning an internal vote of Conservative party officials. [Sunak](#), a wealthy former investment banker, faces an enormous task of re-uniting a divided party and repairing the UK economy with an eye towards stabilizing the budget and restoring faith in the pound.

Why it matters: The UK is facing incredible uncertainty. Since October, the UK has [technically moved into recession](#) and given higher borrowing costs and skyrocketing prices, consumer confidence appears to be shattered. Sunak will also be under tremendous pressure to call a general election to put his leadership to a test with voters.

Rather than cutting taxes, Sunak is expected focus on spending austerity, a move that some economists believe will only exacerbate the recessionary conditions and possibly lead to a new attack on the pound.

Brazil

In a stunning comeback, former Brazilian President Luiz Inácio Lula da Silva defeated far-right populist President Jair Bolsonaro in an October 31 run-off election.

It was a close result, with da Silva capturing about 51 percent of the total votes cast. It was also a remarkable political renaissance. President from 2003 to 2010, the man known as "Lula" was convicted of corruption charges and spent three years in prison. Those charges were later overturned by Brazil's high court.

The departure of Bolsonaro sent a wave of relief for many inside and outside Brazil. He was widely seen as disinterested in the plight of the poorest Brazilians, incompetent in terms of the country's pandemic response, indifferent about climate change and the wholesale destruction of Brazil's famous rain forest. For many months prior to the vote, he also made attempts to undermine the integrity of Brazil's election system, prompting continuing fears he may try to challenge the result.

Why it matters: The country and its parliament remain deeply polarized. It will not be easy for da Silva to bring radical changes. After years of austerity and erosion of government services, many expect Lula to trigger increased public spending and restoration of social support programs which are core to his campaign.

Country Updates

United States

The midterm elections on November 8 are expected to hinge on several pressing issues.

The economy: Always a key factor in elections, economic conditions often drive electoral trends. This year, fears of a recession, high inflation and interest rates, and sluggish markets have created a lot of uncertainty. The Dow Jones [crashed 1.6% to close](#) at its lowest level since November 2020 and most other early signs of a recession are flashing red. Meanwhile, inflation continues to run high despite several interest rate hikes by the U.S. Federal Reserve. Conditions like this typically do not favor the party that controls the White House.

Abortion: Access to abortion is a huge issue across the U.S., and is expected to play a major role in states that have taken the most aggressive steps towards an outright ban. In Arizona, a judge recently ruled a ban drafted in 1864 – before Arizona was a state – can be enforced today. President Joe Biden is hopeful that events like this could mobilize Democrat voters in the closest senate and congressional races by reminding his supporters how quickly Republicans will move to abolish access if they triumph in the mid-terms.

Immigration: Recent publicity around Republican governors' moves to ship migrants to Blue States – those controlled by Democratic state governments – does not appear to be a winner for the GOP. A recent [Reuters/Ipsos poll](#) found that less than a third of respondents approve of the practice, while 40 percent oppose. Even for Republican voters, support for the strategy is divided: only half of committed GOP voters said they back the forcible relocation of migrants to other states.

Trump: Despite fighting legal battles on multiple fronts, the former president is applying his full power to influence the outcome of close races all over the country. Trump is proving to be a boost to some candidates, but for others, he is a liability. Growing evidence of his role in the January 6 attack on the White House is, in particular, tarnishing the Trump brand. Some Republican candidates have gone as far as to suggest that a Trump endorsement does more to hurt than help.

Why it matters: Midterm elections – which typically do not favor the party that holds the White House – are poised once again to decide the balance of power in U.S. politics. A loss of majorities in both the House of Representatives and Senate would cripple President Joe Biden's ability to introduce new measures in the second half of his term. The elections on November 8 are expected to be among the closest in the history of midterm votes.

Sweden

The Swedish parliament [recently passed](#) significant amendments to the Swedish Employment Protection Act. The changes – which took effect on October 1, 2022 – are designed to promote more workplace flexibility while strengthening protections for both employees and employers. Two areas in particular are worth noting:

- 1. Fixed-term employment contracts:** The maximum duration of fixed-term engagements will be halved from 24 to 12 months, and employees who have been with a company for at least nine months will now have priority opportunity to fill internal job openings. Employers will also be obliged to offer employees permanent employment contracts following 24 months on the same site, or to pay them a severance fee.
- 2. Dismissals:** The amendments will now allow employers involved in layoffs to exclude up to three employees, deemed to be of special importance to the business, from "last-in/first-out" termination provisions.
- 3. Terminations for cause:** Previously, the law required a "fair reason" for terminating an employee for cause. That wording has been replaced with "objective reasons." The change gives greater flexibility to employers to terminate employees, while requiring more disclosure for the reasons.

Additionally, Sweden has fully adopted the EU Directive on Transparent and Predictable Working Conditions, which requires companies to inform employees as early as possible about changes to working conditions such as job descriptions, assignments and shifts.

Why it matters: While legislation is becoming more flexible, flexible working will from now on be clearly regularized, including other new elements of employee protection. A further [proposal on skills and retraining support](#) is currently under consultation.

Industry Updates

Tech sector: Canada

For many years, Canadian tech firms fought valiantly to compete with Silicon Valley and Europe to establish themselves as legitimate industry players. And for many years, Canada was able to boast a series of significant wins. But the most successful Canadian start-ups and established tech players have been on a losing streak recently that has seen the sector shed thousands of jobs.

To be fair, in the late stages of the global pandemic the tech sector has been hammered, with more than 81,000 jobs having been lost globally in the last year alone. However, an alarming number seem to be coming from Canada's emerging tech sector. There were 1,200 layoffs at Shopify, a company that provides e-commerce support to smaller retailers. In a memo to his employees, Shopify CEO Tobias Lutke apologized for overestimating the growth of e-commerce, which has slowed considerably as bricks-and-mortar retail has made a comeback. But the layoffs don't end there.

Hootsuite, a social media management platform, was forced to layoff more than 400 workers, or 30 percent of its global workforce. On-line furniture retailer and manufacturer Article, another Vancouver-based company, laid off 215 employees in August. Wealthsimple, an online financial services company, laid off 159 of its 1,200-strong workforce.

The message at the Elevate tech conference in Toronto in late September was very clear: there is more pain coming for the Canadian tech sector. "I don't think we've hit close to the bottom yet," said Michele Romanow, owner of Clearco, an internet investment firm that had to lay off 60 employees in August. "Tech has seen the first kind of bump in this road and it could get a whole lot worse."

Why it matters: A key sector to watch – not at least because Tech talent is sought after in other sectors to sustain their digital transformation. The U.S. tech sector has seen similar developments, being the first of (what analysts expect to be) a wave of further layoffs across sectors due to a recessionary environment.

4-Day Working Week: Atom Bank (UK) and Lenet (Italy)

Following several months of trial, the online bank UK-based Atom Bank concluded that the introduction of the 4-day working week has been 'overwhelmingly positive.' Starting in November 2021, staff have been able to work 34 hours over 4 days. Following the introduction of this change, the bank said it has been easier to recruit and retain employees. The bank noted a 49 percent increase in job applications in January 2022, compared to January 2021, and overall lower turnover. Although the switch over was not "easy," the bank said currently, 91 percent of employees have adopted the shortened work week.

Since June, dozens of British companies have followed in Atom Bank's footsteps and adopted a reduced working week as part of a campaign launched 4 Day Week Global.

Italy's Lenet Group – a leader in omnichannel retail platforms – is piloting a new way of organizing work. Rather than focusing solely on working a set number of hours, the new model is based on meeting objectives. The pilot program involved 350 volunteer workers, which is roughly 30 percent of the company's workforce. The experiment started in June 2022 and will last until May 2023.

Human resources manager Lucia Adamo told Italian business daily Il Sole 24 Ore that employees in the program could take Fridays off but "only if you have achieved your objectives." This is not the first time this company has introduced schedule innovations. Several years ago, the Lenet Group stopped asking workers to punch in and punch out of work. The company also introduced smart working, where teams coordinate their schedules based on production requirements and objectives.

Why it matters: As the global workforce demands more flexibility, and organizations are looking for ways to retain workers, the 4-day work week continues to be of great interest to employers and employees alike. Still, organizations must think through all the implications for both desk and non-desk workers. And, they must take steps to create a new culture that supports and trusts employees to operate more independently.