

Global Labor Market & Regulations Report

Insights from September-October 2022

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Did you know? Ecosystem insights in the face of uncertainty

Economic uncertainty is high as we enter the fourth quarter. Governments, employers and others are turning their energies to high-level discussions on learning and building resilience to mitigate the impact of uncertainty. The Adecco Group has weighed in on this debate with its [Global Workforce of the Future survey](#) which examines the factors driving resignations and retention.

Here is a small selection of other events which took place in September:

- ▶ This year's UN General Assembly took place under the theme "A watershed moment: transformative solutions to interlocking challenges." Beyond the war in Ukraine, topics included [sustainability](#), [job growth and social protection](#) and diversity.
- ▶ The OECD Center for Entrepreneurship and Local Development held a [webinar](#) on mass layoffs and their impact on the economy and local communities. Panelists agreed that mass layoffs have detrimental effects on both individuals and local economies, creating a snowball effect that often leads to indirect job losses. The panel suggested a focus on sustainability and early intervention was critical to mitigate the direct and indirect impacts of mass layoffs.
- ▶ The [Automotive Skills Alliance \(ASA\)](#) held its first Conference on reconciling technological changes and human consequences. A member of the European Commission's Pact for Skills, the ASA seeks to promote the importance of engaging workers and communities in economic or technological change.
- ▶ In a spirit of an exchange of practice, a leading aerospace group invited various companies including LHH to a closed-door conversation in London on industrial relations and the impact of geopolitical uncertainty. Among others, the discussions picked up on the intensifying negotiations with unions in the context of raging (wage) inflation, highlighting the importance of a coherent long-term strategy to counter requests to map an endless rising inflation with salary increases. Preparation of managers and leaders for this endeavor appeared as critical in the discussion as well as a careful embedding of employee activism.

Three pivotal elements emerging from those discussions:



Sustainability emerges as a strategic business pillar, not just one dedicated to some corporate or environmental responsibilities. It's now an overarching priority in leadership, decision making, workforce strategy and agility. Closing the gap between workers' expectations and their employers requires a coherent underlying vision to achieve resilience and agility.



From engagement to participation – Listening to the workforce and their needs is a foundation for agility. Allowing for targeted participation can be seen as a leverage for engagement and supporting coherent employee activism (and mitigating their potential detrimental effects).



A new age of leadership - With unprecedented uncertainty and disruption, businesses and governments find themselves challenged to find new solutions to new problems. Older strategies do not work anymore and business organizations need to be guided by empathetic, motivated and engaged leaders.

Country updates

Singapore

The government of Singapore is set to [introduce](#) a special visa for foreign workers earning over S\$30,000 (€21,350) per month to help employers attract “the rainmakers of the world.” The new visa will not require an actual job offer and will be valid for five years, much longer than the two years allowed under previous permits. The visa will also allow newcomers to set up a company, work as a self-employed person for several companies at the same time and allows spouses to work in the country. Applications for the new visa will be accepted starting in January. Singapore has also promised to reduce processing time for all visas from three weeks to 10 working days.

The government hopes workers attracted by the new visa will “push new frontiers, draw in greater investments and interest to grow our local ecosystem, and most importantly, create a diverse range of opportunities for Singaporeans.”

Why it matters: This course of action is welcomed by employers in the context of the global labor shortage. Foreign workers are currently [subject to quotas](#) and this new rule is expected to ease some shortages even though the salary range affects only about 5% of the current visa holders.

Germany

Germany is preparing changes to the laws governing economic immigration to allow skilled foreign workers to gain citizenship after only three years. A [leaked copy](#) of German’s new skilled labor strategy said the law will help Germany become more “attractive in the international competition for skilled workers.”

Why it matters: Germany joins the ranks of countries like Singapore in introducing measures to attract more skilled talent.

After a year of preparation, companies that are both publicly traded and under co-determination are now required to set [targets for the percentage of women on management boards, supervisory boards and two levels](#) below. Companies that have not met the targets will have five years to come into compliance or face severe fines ranging between €50,000 and €10 million. The rule also applies to European companies under certain circumstances (i.e., three board appointments).

Why it matters: Diversity in boards and among top management positions is becoming a pressing issue. Organizations must prepare succession plans which take into account gender targets. Here also [in German](#).

UK

The National Skills Academy for Food and Drink (NSAFD) and the Food and Drink Federation (FDF) launched a [Careers Passport](#) to attract new workers.

Designed by businesses in the sector, the passport program involves an inventory of comprehensive online training courses that lead participants to a diploma. Free of charge for most participants, the passport can also be awarded by employers based on job experience. A total of 57 companies have signed up for the passport program.

Why it matters: Heavily impacted by labor shortages, there is hope that the passport will attract new talent and lead to quicker hiring decisions. This is meant to alleviate a chronic shortage of workers [across a wide range of professions](#), including bars and restaurants.

UK Chancellor Kwasi Kwarteng is reducing employment benefits for part-time workers to encourage more to seek full-time work. The rule [changes](#) will require those working 15 hours or less to show proof they are looking for additional hours or they risk a reduction in financial supports. The changes are expected to impact 120,000 workers.

Why it matters: The new rules are intended to signal a new offensive to fill job vacancies, with many industries facing chronic shortages.

Italy

Italy held parliamentary elections on September 25 following a campaign that focused mainly on current economic issues – inflation and energy costs, the war in Ukraine and migration. The far-right Fratelli d’Italia (Fdi) emerged as the key force in parliament with 26% of the vote. The result means that, Giorgia Meloni – charismatic leader of Fdi – could become [Italy’s first woman prime minister](#). Her right-wing alliance now have 44% of the parliamentary vote.

Key elements of Meloni’s platform include tax cuts, pension increases, abolition of the controversial “citizen’s wage” to fight poverty, and renegotiation of the EU economic stimulus program.

Why it matters: All eyes are on Italy’s economy now and continuing the support measures for businesses (i.e., energy import price cap, tax cuts) will help ease the pressure on Italy’s vital manufacturing sector and comfort investors. This sector – which accounts for one-quarter of Italy’s GDP – has suffered massively from high inflation. According to the Italian National Institute of Statistics (ISTAT), costs of production grew by 50.5% in August compared to 2021.

It is unclear how the election results will affect Italy’s relationship with the EU which is still providing major help to businesses through its Economic Recovery plan. An Fdi-led government, which will have a much more conservative and nationalist orientation, has been critical of the EU and Italy’s role in it.

Industry updates

United States – Manufacturing

There has been unprecedented growth in the US manufacturing sector as the country emerges from its pandemic slumber. According to the New York Times, when COVID-19 first hit in early 2020, American manufacturers cut 1.36 million jobs. The most recent figures from the US Bureau of Labor Statistics show manufacturers have added back 1.43 million jobs, “a net increase of 67,000 jobs.” What is driving this manufacturing renaissance? Economists and industry observers indicate different reasons.

The US manufacturing sector has been in decline for more than four decades. Since 1979, the US has lost nearly seven million manufacturing jobs, devastating local and state economies in the process. In 2010, it lost its position as largest manufacturing country against China.

In a stroke of irony, the pandemic and its emphasis on e-commerce turned that trend around. US Treasury Secretary Janet Yellen described the growth in manufacturing jobs as a unique byproduct of the pandemic and impending recession. “We had a huge shift from services and into goods that spurred production and manufacturing and a very rapid recover in the US economy,” Yellen said recently.

Most observers also agree manufacturing has benefited from the passage of the **Inflation Reduction Act**, which included billions of dollars in investment in clean energy development and manufacturing. The act provides incentives to manufacturers to create new jobs that meet both high labor standards and clean energy targets. In particular, the act includes incentives to transition workers from fossil fuel industries – oil, gas and coal – into jobs that provide the same level of pay and benefits. The act also incentivizes US companies to develop and manufacture next-generation batteries for electric vehicles and computer chips so that the country is not as reliant on foreign-made chips.

Why it matters: The US manufacturing sector accounts for just less than one-fifth of the world’s total production, behind only China and ahead of Japan, Germany and South Korea. It also accounts for 11% of the US GDP and employs 10% of total US workforce. As such, the US manufacturing sector is of critical importance for both the US labor market and the global state of the economy.

Positive employment impact on the manufacturing sector is reinforcing factors which could help the economy – in the US and globally – to maintain its resilience in the face of disruption.

Italy – Banking and Telecom

Financially troubled Italian banking group **Monte dei Paschi di Siena (MPS)**, under pressure by the European Union to cut costs, reached an agreement with its unions to lay off 3,500 employees through an enhanced early retirement program. The scheme will target bank employees who are within seven years of national pension age on November 30, 2022. The early retirement scheme will allow MPS to renew its workforce, making one new hire for every two departures by 2026. To motivate employees, MPS is also committed to reopening collective bargaining on social protection and well-being at work, career paths, promotions and bonuses.

Similar changes are underway at heavily indebted telecom **Italia TIM**, which approved a restructuring plan to lay off up to 9,000 workers by 2030. The downsizing includes provisions for more than 2,200 voluntary early retirements alongside more than 550 new hires in a bid to refresh its talent pool.

Why it matters: Both MPS and TIM are undertaking efforts to balance efforts to reskill and future-proof workers with significant cost-cutting targets. In current economic conditions, employer branding, reputation and talent retention and development can be critical in that context to maintain agility.

Other updates

Flexible Working

Telework and the gig economy continue to be subjects of great debate around the globe, particularly around how to provide greater flexibility and protection for workers and employers.

China: The Chinese government has made a major [push](#) to protect the rights of gig workers at Alibaba, Tencent and other major Chinese employers who have become increasingly reliant on gig workers. Regulators recently publicly challenged the 10 largest internet platform operators to protect the social welfare of its workers.

Brazil: The Brazilian government has introduced [a new law](#) to protect teleworkers and expands the definition of telework to include workers who have to make occasional office visits. It includes a provision to ensure that teleworkers are given the same protections and benefits as office workers covered by collective agreements.

Europe: The European Trade Union Confederation reached an [agreement](#) with business associations on new binding measures to regulate telework, including a legal right to disconnect. More than 13% of European employees work at home, nearly three times the number that existed before the pandemic.

India: The Indian government is [considering](#) a new provision to allow all employees of businesses operating in Special Economic Zones (SEZs) to work from home. Previously, these businesses were only allowed up to have 50% of employees working from home, and only for a period up to one year. However, the export of Indian services abroad grew significantly during the pandemic and the government does not want to derail that growth. The affected employees are mostly in technology sector service providers, software manufacturers, manufacturers of electronic components and printed circuit boards.

Mexico: Earlier this year, the Mexican government introduced amendments to federal labor law that outline protective measures for teleworkers and obligations of employers. The provisions include ensuring the employee has internet connectivity at home, a reliable source of electricity, ventilation and other features of a safe workplace. The rules would also extend protection to workers to ensure they can be supervised without violating their privacy.

Norway

Starting in July, Norwegian companies will see government-imposed limitations on the use of temporary labor. Until previous rules, companies could hire temporary employees for up to 12 months without justification. Concerned that these provisions were contrary to the fundamental principles of Norwegian labor law, employers will now have to prove any fixed-term contract meets new requirements as legally permitted temporary work. Employers will also have to discuss the need for part-time employment with employee representatives before any hiring.

Why it matters: The changes are being criticized by many employers as a major reduction in workforce planning flexibility. This is particularly concerning with the uncertainty in the global economic outlook. Although the move is designed to promote long-term and permanent employment, it yet unclear whether these measures will achieve the desired outcomes given the current context.