EDMOND DE ROTHSCHILD

THE BIG MISCONCEPTION OVER THE JOBS MARKET

Until recently the "Great Resignation" theme shaped any analysis of today's labour markets. But as the scars of the Covid-19 epidemic fade, we need to take a new approach. The jobs market is, in fact, struggling with chronic imbalances. A quantitative and qualitative gulf between labour supply and demand has emerged and turned into a major macro and microeconomic issue. Companies which adjust their HR policy to meet current requirements will gain a lasting competitive advantage. Companies will also be responsible for righting the macroeconomic imbalance.



AYMERIC GASTALDI
*Lead Portfolio Manager of the EDR Fund Human Capital**

*The identity of the fund manager in this document may change during the life of the product.

The latest International Labour Organisation (ILO) report is highly instructive. It points out that global unemployment has continued to fall and is now at 5.1%. However, if we take people who are not considered as unemployed but who wish to work, the figure rises to 12%, or 435 million people.

A quantitative approach would presume that there are numerous, accessible job offers but that conclusion would be wrong.

HIRING DIFFICULTIES

Companies in the west have never had so much trouble hiring. According to the ILO, 77% of companies struggle to hire people with the requisite skills. This compares to 35% only 10 years ago. In the US, there are 1.5 job offers for every unemployed person, or 9 million available jobs.

This deficit is likely to get worse. According to the UN, the global working population in developed countries was 820 million in 2020 and is set to fall to 760 million by 2040.

This cocktail of high unemployment and hiring difficulties is a lose-lose situation for all concerned. The root of the problem stems from the mismatch between what companies are looking for and actual employee skills. According to the OECD, more than 30% of employees in France do not have the skills required for their jobs and 23% are under-qualified.

The ILO suggests some interesting

MARKETING COMMUNICATION: THIS IS A MARKETING COMMUNICATION. PLEASE REFER TO THE UCITS PROSPECTUS AND THE KEY INFORMATION DOCUMENT BEFORE MAKING ANY FINAL INVESTMENT DECISION.

ways to make the jobs market more fluid and establish a better match between labour demand and supply: (i) redefine working conditions, especially in manufacturing, and (ii) improve professional mobility by introducing accomodation incentives.

INVESTING IN EDUCATION

Inadequate skills and high unemployment need to be tackled with renewed investment in education. To have some hope of a reviving innovation and creating productivity gains, we should channel private and public investment into training.

A number of companies were quick to see the advantage of investing in training or setting up their own universities. The most notable examples, Accenture, Schlumberger and Hermès, have gained lasting competitive edge from fostering talent in this way. Thanks to their internal training procedures- and virtuous HR policies,- they have managed to attract, train and keep staff who embody their savoir-faire and/or their technological advantage. This sort of approach now makes more sense than ever. And with talent drying up, their success should inspire others to follow suit.

To have some hope of a reviving innovation and creating productivity gains, we should channel private and public investment into training.

THE MACROECONOMIC IMPACT

By boosting employee training programmes, these companies help push employees to the highest possible standards, generating productivity gains, favouring innovation, boosting macroeconomic growth and ultimately offering a solution to high unemployment by increasing job supply.

This is why governments need to look at tax incentives. The European Commission's *Pact for Skills* in 2020 marked a step in the right direction. It has already enabled 2 million people to hone their skills. Just as tax credits help drive research programmes, governments need to go further to encourage companies to train their employees, Budgetary constraints are not a problem as the OECD has already shown that spending on education generates doubl-digit returns.

As the global talent war becomes entrenched, the ability to train employees is increasingly a major competitive issue. Companies are waking up to this and governments now need to follow their lead.

This is a marketing communication.

This document is issued by the Edmond de Rothschild Group. It is not legally binding and is intended solely for information purposes.

This document may not be communicated to persons located in jurisdictions in which it would be considered as a recommendation, an offer of products or services or a solicitation, and in which case its communication could be in breach of applicable laws and regulations. This document has not been reviewed or approved by a regulator of any jurisdiction.

The figures, comments, opinions and/or analyses contained herein reflect the sentiment of the Edmond de Rothschild Group with respect to market trends based on its expertise, economic analyses and the information in its possession at the date on which this document was drawn up and may change at any time without notice. They may no longer be accurate or relevant at the time of reading, owing notably to the publication date of the document or to changes on the market.

This document is intended solely to provide general and introductory information to the readers, and notably should not be used as a basis for any decision to buy, sell or hold an investment. Under no circumstances may the Edmond de Rothschild Group be held liable for any decision to invest, divest or hold an investment taken on the basis of these comments and analyses.

The Edmond de Rothschild Group therefore recommends that investors obtain the various regulatory descriptions of each financial product before investing, to analyse the risks involved and form their own opinion independently of the Edmond de Rothschild Group. Investors are advised to seek independent advice from specialist advisors before concluding any transactions based on the information contained in this document, notably in order to ensure the suitability of the investment with their financial and tax situation.

Past performance and volatility are not a reliable indicator of future performance and volatility and may vary over time, and may be independently affected by exchange rate fluctuations.

Source of the information: unless otherwise stated, the sources used in the present document are those of the Edmond de Rothschild Group. This document and its content may not be reproduced or used in whole or in part without the permission of the Edmond de Rothschild Group.

Copyright © Edmond de Rothschild Group – All rights reserved

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)

47, rue du Faubourg Saint-Honoré 75401 Paris Cedex 08

Société anonyme governed by an executive board and a supervisory board with capital of 11.033.769 euros

AMF Registration number GP 04000015

332.652.536 R.C.S. Paris

www.edmond-de-rothschild.com