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DE ROTHSCHILD

THE WAR FOR TALENT HAS ALREADY BEGUN

▶ **11 million. Eleven million is the number of job openings that are currently unfilled in the United States. In other words, Corporate America is looking for 11 million workers¹ to operate at a level that meets end demand. To put this figure into perspective, this is an all-time high and double the average over the last 10 years, pointing to major disruptions on the US job market.**

EXPERT
OPINION



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Throughout 2021, observers were in agreement that a phase out of cheques distributed by the American government would push many people back to work and diminish the labour shortage. This didn't happen. **While the cheques have indeed been phased out** since July 2021 (with 7.5 million households receiving their last cheque in September²), not only has **the number of unfilled job openings not decreased** over the same period, it has actually increased by one million¹.

A CASCADE OF RESIGNATIONS

It is worth comparing this data with another emerging phenomenon which the Americans have dubbed "**The Great Resignation**". While the term may literally refer to employee departures, it has more to do with a **shift in priorities for a growing number of workers**. The numbers clearly illustrate this trend. The monthly quits rate in the United States just reached an all-time high of nearly 3%³. Between May 2021 and September 2021, **20 million American employees switched employers**, representing 14% of the local labour force.

Lastly, wage growth confirms that the balance of power between employees and employers has reversed. **In November 2021, the average wage was up 4.8% year-on-year**, more than double the normalised pre-crisis level³. Over two years, the increase was around 10%¹.

This means we are dealing with a historic combination of factors: wages solidly on the rise, a record number of job vacancies³ and previously unheard degrees of employee "versatility".

In our opinion, **many of the ingredients that have led to this situation are structural**, starting with the uberisation of the economy and the arrival of millennials on the job market, along with another long-standing dynamic: **the growing withdrawal of the**

1. Source: Bloomberg. Data at 31/12/2021.

2. Source: The Century Foundation think tank.

3. Source: US Bureau of Labor Statistics. Data at 31/12/2021.

working age population, which only exacerbates the labour shortage.

A MAJOR PARADIGM SHIFT

This change in the balance of power between job providers and job seekers is a major paradigm shift. **The dynamic that has structured the job market for thirty years has been upended**, leading to two major strategic challenges for businesses: **a more competitive recruitment field, and greater difficulties retaining talents** within the company. While the nature of these problems isn't new, their scale is completely unprecedented.

Employees, or more conceptually "human capital", **are the cornerstone for the success of any business**. They are the ones who ensure the quality of the goods and services produced. They are the ones who ensure the company's agility and capacity for innovation, and therefore its growth potential.

AN EMERGING TREND THAT OFFERS PROMISING GROWTH PROSPECTS

As the labour market tightens across the board, with unfilled jobs, rising wages and increased employee

turnover, businesses need to protect and secure their "human capital". Their primary asset for meeting this challenge is their **attractiveness on the labour market and as an employer**. In light of the trends we've noted, this factor has become a **decisive competitive advantage**.

That is why we believe that investment decisions today should give greater consideration to the issuer's human resources policy. **A company's attractiveness on the job market can now be just as key to success** as a patent, trademark or technological advantage.

This competitive advantage is still poorly understood by the market, which creates promising opportunities for investors who factor this dimension into their decision-making.

Another financial consequence of the tighter job market is the expenditures (or "investments") that employers will have to make to retain their employees. This involves a **wide range of solutions**: measures to improve working conditions, initiatives to promote employee well-being, increased training efforts, etc.

It would therefore be easy to anticipate an increase in demand for this type of service over the years to come. This is an **emerging, structural trend that offers promising growth prospects, which the market doesn't seem to have grasped yet**.

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