

November 4, 2021

The Great Resignation



America just set a new record for how many people are quitting their jobs. According to the US Bureau of Labour Statistics, 4.3 million people quit in August 2021 (2.9% of America's working population), the highest number on record for the latest 20 years. Quits are more concentrated in food & accommodation services, retail and wholesale trades, but the departures are happening across the board.

There are more jobs available now than ever before in US history. Many businesses are suffering from a major shortage of workers with 10.4 million jobs open, employers are scrambling to find help.

Some months ago, a Microsoft[1] survey made headlines, revealing that 41% of the global workforce is considering leaving their employer in the coming 12 months. While being just a survey, and knowing that expressed intentions aren't the same as the actual act of quitting, it's reasonable to expect a further increase in people quitting than what we have been used to.

The term of the "great resignation" was originally coined by Anthony Klotz, an American psychologist. He calls this trend a pandemic epiphany, not too distant from the hot new trend some millennials are reportedly partaking in these days: "lying flat". This basically amounts to doing the bare minimum to get by and striving for nothing more than what is absolutely essential for one's survival. It represents the mindset of lying down instead of being a productive member of society. Rather than striving to study hard, buy a home, or even start a family, a subsection of society is rejecting it all to lie flat.

So, the question is why are so many people quitting their jobs? The pandemic has given people a multitude of reasons to quit their job. Looking for better pay, better working conditions and more flexible working arrangements.

In the US, the pandemic abruptly severed the relationship between employers and employees. That's in contrast with European countries, where millions of workers were furloughed rather than fired and therefore had a job to come back to. But similar trends are at play in Europe as well. In Germany, a third of companies are short of skilled workers with currently at least 400.000 skilled job vacancies. According to the OECD, in 38 member countries, at least 20 million workers have not returned to work since the coronavirus struck. Of these, 14 million have exited the labour market and are classified as 'not working' and 'not looking for work.'

Emergency unemployment benefits expired in the US on September 6th, yet the monthly gain in payrolls continuously defied predictions. The contradictory data points speak of a labour market that has been profoundly disrupted by the Covid crisis and may remain so for some time.

Some people are feeling burnt out after working through a period that posed so many challenges. Some are still fearful for their health and the risk of contagion. During lockdown, many of us worked from home, cooked at home, cared for kids at home, entertained ourselves at home and even schooled our kids at home. By eliminating the office as a physical presence in many families' lives, the pandemic may have downgraded work as the centrepiece of their identity. A new vision of work-life balance could be the elephant in the room.



For many people, the pandemic was a time of reflection, forcing people to see the unpredictability of life, offering an opportunity to think about changing careers and to learn new skills. Even more broadly, the pandemic also forced people to reconsider how they wanted to spend their entire lives and what really matters to them. Re-imaging their lives, many locked up their location to move to suburbs, not waiting for retirement to seek out greener pastures. Many began freelancing or start-ups and have no appetite for a full-time contract anymore. Many also began trading full-time, just observing the meme stocks saga around Reddit, crypto, non-fungible tokens and SPACs. Others subscribed to early retirement, supported by the fact that stock market all-time highs inflated retirement accounts.

Obviously, most people won't or can't leave their jobs. These quitters are still a very small minority. But those quitters are having a broader impact. A workers revolution as legacy of the pandemic. With so many workers willing to leave their jobs, companies are forced to make the jobs more appealing. A power shift is at play, with workers gaining the upper hand. While working from home and flexible adjustments is a white-collar concern, blue-collar claims are also visible. According to Cornell University Labor Action Tracker, the number of worker strikes in the US exploded higher in 2021, reaching healthcare workers, factory workers, university workers and many more, invigorating the feeling of a gripped economy. The current employment dynamics give workers the capacity to demand what they are worth after years of stagnant wages.

Unsurprisingly, social media platforms are also at play. Reddit and Twitter screenshots of angry resignation text messages and confrontational conversations of employees with their bosses are going viral, with many users questioning the traditional eight-hour, five-day workweek, fighting for a liveable minimal wage and speaking out against labour exploitation.

Running a company requires people and parts. With parts missing and people quitting,

businesses are struggling. Funnily, we could be wondering to what extend self-service business models will be extended.

What are companies doing to retain their talent? Some are offering higher wages and benefits; others are giving collective holidays and flexible conditions. But if a company is to survive this great resignation, it must deep dive into an employee's mind and see what they really want and give them a reason to return every Monday, making their employees feel valued.

That marks a break from recent historical work trends. For five decades, wages have been at best stagnating. In lower-end jobs, earnings have not matched the pace of inflation, while the increasing switch over to an independent contractor model and gig work leave many in a more precarious situation.

The lingering question is how long the Great Resignation will stick around. The fact is that the labour market is tighter than it has been for years and competition for workers has grown fierce. What we take for granted is that while pandemic, lockdown and Covid were the most used words of 2020, supply chain frictions and inflation are clearly the most popular words of 2021. Not long ago economists obsessively checked the latest statistics on Covid-19 cases. Now they are doing the same with the inflation numbers and to an extent weekly jobless claims.

Reports say wages for low paid workers in developed countries are rising at the fastest rate since the great recession. A rise in the labour share, or the proportion of GDP paid to workers, is a welcome development. But to get a sense of this on inflation risk, we need to get a sense of how productivity growth will develop. The pandemic has had a large, abrupt, and measurable impact on the global economy and business models. But its effects on productivity growth, possibly highly significant, will take longer to judge. Currently, wage growth is outpacing productivity, and may do so for some time if workers don't re-enter the workforce in more meaningful numbers.

Every big event in history leaves a mark on society. Women entered factories to keep them running during World War I. World War II saw major advances in medical technology including the mass production of penicillin. Then came the pandemic, it gave people another reality check on life, and saw them reevaluate life as something way too precious to compromise.

For some workers, the pandemic precipitated a shift in priorities, encouraging them to pursue a 'dream job', or transition to being a stay-at-home parent. But for many others, the decision to leave came because of the way their employer treated, or didn't treat them, them during the pandemic.

Our takeaway is that our society is awakening to the idea that people are not machines, that it's becoming compulsory for companies to make serious investments in their employees' wages, opportunities, and overall wellbeing. Companies that don't invest in their people will fall behind.

Could it be that the Anglo-Saxon world is slowly opening-up to some sort of social contract?

[1] The next great disruption is hybrid work – Are you ready? Microsoft WorkLab March 22, 2021

Disclaimer

All financial data and/or economic information released by this Publication (the "Publication"); (the "Data" or the "Financial data and/or economic information"), are provided for information purposes only, without warranty of any kind, including without limitation the warranties of merchantability, fitness for a particular purpose or warranties and non-infringement of any patent, intellectual property or proprietary rights of any party, and are not intended for trading purposes. Banque Internationale à Luxembourg SA (the "Bank") does not guarantee expressly or impliedly, the sequence, accuracy, adequacy, legality, completeness, reliability, usefulness or timeless of any Data. All Financial data and/or economic information provided may be delayed or may contain errors or be incomplete. This disclaimer applies to both isolated and aggregate uses of the Data. All Data is provided on an "as is" basis. None of the Financial data and/or economic information contained on this Publication constitutes a solicitation, offer, opinion, or recommendation, a guarantee of results, nor a solicitation by the Bank of an offer to buy or sell any security, products and services mentioned into it or to make investments. Moreover, none of the Financial data and/or economic information contained on this Publication provides legal, tax accounting, financial or investment advice or services regarding the profitability or suitability of any security or investment. This Publication has not been prepared with the aim to take an investor's particular investment objectives, financial position or needs into account. It is up to the investor himself to consider whether the Data contained herein this Publication is appropriate to his needs, financial position and objectives or to seek professional independent advice before making an investment decision based upon the Data. No investment decision whatsoever may result from solely reading this document. In order to read and understand the Financial data and/or economic information included in this document, you will need to have knowledge and experience of financial markets. If this is not the case, please contact your relationship manager. This Publication is prepared by the Bank and is based on data available to the public and upon information from sources believed to be reliable and accurate, taken from stock exchanges and third parties. The Bank, including its parent, - subsidiary or affiliate entities, agents, directors, officers, employees, representatives or suppliers, shall not, directly or indirectly, be liable, in any way, for any: inaccuracies or errors in or omissions from the Financial data and/or economic information, including but not limited to financial data regardless of the cause of such or for any investment decision made, action taken, or action not taken of whatever nature in reliance upon any Data provided herein, nor for any loss or damage, direct or indirect, special or consequential, arising from any use of this Publication or of its content. This Publication is only valid at the moment of its editing, unless otherwise specified, All Financial data and/or economic information contained herein can also quickly become out-of- date. All Data is subject to change without notice and may not be incorporated in any new version of this Publication. The Bank has no obligation to update this Publication upon the availability of new data, the occurrence of new events and/or other evolutions. Before making an investment decision, the investor must read carefully the terms and conditions of the documentation relating to the specific products or services. Past performance is no guarantee of future performance. Products or services described in this Publication may not be available in all countries and may be subject to restrictions in some persons or in some countries. No part of this Publication may be reproduced, distributed, modified, linked to or used for any public or commercial purpose without the prior written consent of the Bank. In any case, all Financial data and/or economic information provided on this Publication are not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law and/or regulation. If you have obtained this Publication from a source other than the Bank website, be aware that electronic documentation can be altered subsequent to original distribution.

As economic conditions are subject to change, the information and opinions presented in this outlook are current only as of the date indicated in the matrix or the publication date. This publication is based on data available to the public and upon information that is considered as reliable. Even if particular attention has been paid to its content, no guarantee, warranty or representation is given to the accuracy or completeness thereof. Banque Internationale à Luxembourg cannot be held liable or responsible with respect to the information expressed herein. This document has been prepared only for information purposes and does not constitute an offer or invitation to make investments. It is up to investors themselves to consider whether the information contained herein is appropriate to their needs and objectives or to seek advice before making an investment decision based upon this information. Banque Internationale à Luxembourg accepts no liability whatsoever for any investment decisions of whatever nature by the user of this publication, which are in any way based on this publication, nor for any loss or damage arising from any use of this publication or its content. This publication, prepared by Banque Internationale à Luxembourg (BIL), may not be copied or duplicated in any form whatsoever or redistributed without the prior written consent of BIL 69, route d'Esch I L-2953 Luxembourg I RCS Luxembourg B-6307 I Tel. +352 4590 6699 I www.bil.com.

