Global HR Lawyers
Ius Laboris

FORCES FOR CHANGE

WORKFORCE OF THE FUTURE

EDITION 05

Global HR Lawyers

Ius Laboris

is a leading international employment law practice combining the world's leading employment, labour and pension firms. With an unsurpassed geographic coverage of 56 countries, Ius Laboris lawyers help clients navigate the world of HR law every day.

Message from our Executive Director

Dear Reader

We are proud to present the fifth edition of our flagship publication on the Forces for Change. Our aim was to harness the knowledge and expertise of our lawyers in 56 countries and provide you with an engaging synopsis of the trends we see in employment now - and our very best guesses about the workforce of the future. Many people from around the world came together to produce this report and it is a good example, I think, of the collaborative way we work on a daily basis: managing international projects and looking after our clients' HR matters right across the world. I hope you find reading the report as thought-provoking and enjoyable as we found it to write.

SAM EVERATT

Executive Director
of Ius Laboris

Ius Laboris

Ius Laboris is consistently recognised as the leading legal service provider in employment, immigration and pensions law. With a global reach across 56 countries in Europe, the Americas, the Middle East and Asia, our alliance of law firms assists international employers in navigating the complexities of the modern workplace with ease and confidence.

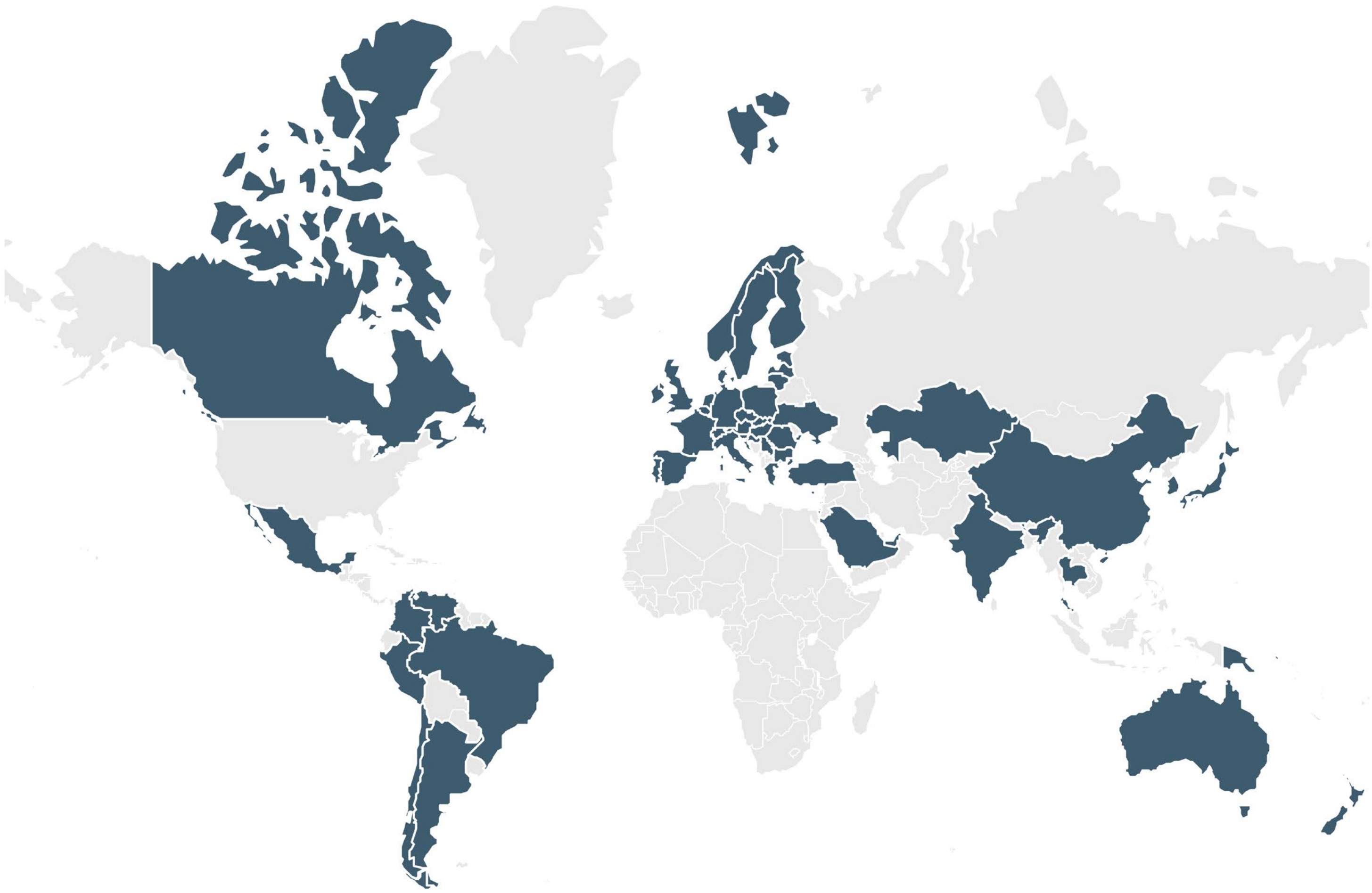
Founded in 2001 by a group of labour and employment lawyers from Belgium, France, Spain, Luxembourg and Italy, Ius Laboris has since expanded its reach to cover 56 countries worldwide. Throughout our journey, we have consistently earned recognition as the premier legal service provider in our field, offering unparalleled expertise and support to our clients.

Ius Laboris has ten active and dynamic Expert Groups, gathering members from diverse regions and disciplines within employment, immigration and pensions law. These groups blend expertise and experience from across the globe to meet workplace challenges and offer innovative solutions to employers.

To analyse and propose solutions on emerging employment-related issues, Ius Laboris also has an International Policy Group. Comprising thought leaders from across our network, this group engages in in-depth discussions on key HR law matters, providing policy recommendations to major institutions and valuable insights for employers worldwide.

This report is the result of collaboration between all our expert groups, the policy group, and our central team.

Local experts, global reach in 56 counries



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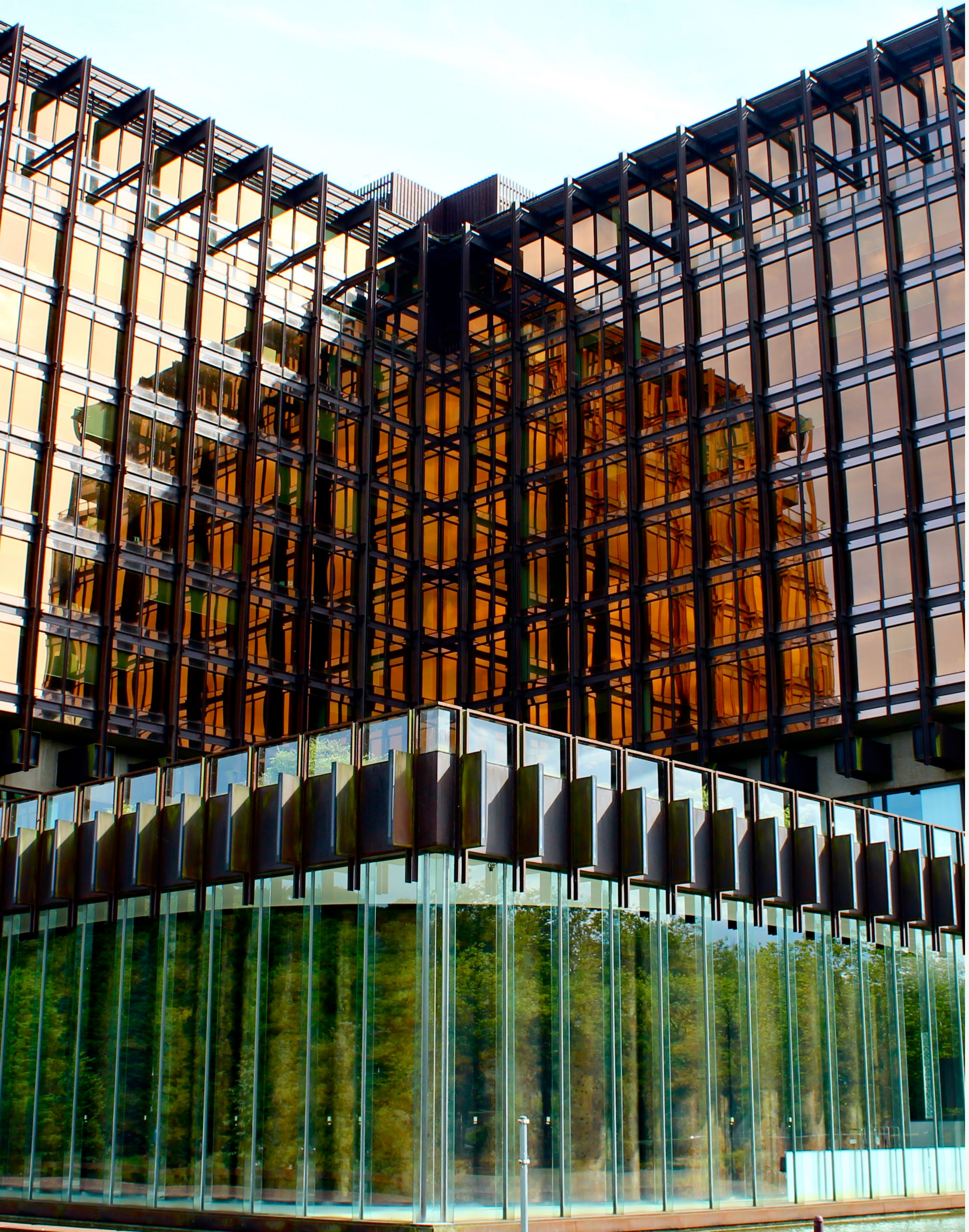

Foreword

When looking at worldwide trends it is important to be aware that, in the end, trends to do with the workplace are very often trends to do with people. And so it goes that our first topic for this year's publication is about the new entrants to the workplace, Generation Z, and their influence on the world of work. Research tells us they are a profoundly ethical group, with deep concerns about climate change and expectations about the moral stance their employers take on a number of key issues. But as they get older, will the idealistic sheen of youth wear off? And what will employers need to do to keep them motivated?

Meanwhile, at the other end of the scale, we have an ageing population and an ageing workforce. Pension systems that were set up to cope with small numbers of retirees living for very few years are now having to accommodate massive numbers living for very many years. To say the pension systems were not built for this is an understatement. We take a look at what the governments of a sample of countries are doing to rethink the economics of their pension systems.

In the face of these challenges, many businesses are looking beyond the immediate horizon. They are taking on foreign nationals; encouraging more women to join – and crucially to stay – in the workforce; emphasising their ESG-credentials and DE&I; and adopting technical solutions to assist both their workers and the business. We look at each of these potential solutions in turn, hoping to glimpse beyond the status quo, to the ways in which society and the law are evolving to cope with the influences bearing on them.

It is pretty clear that large-scale change is on the horizon. Businesses that want to stay competitive (which should mean all businesses) will need to be looking at all the potential solutions and more, and working out how to implement them. We believe that those that do so effectively will not only become more competitive, but will be more open, more diverse, more innovative – and better places for people to work.

Deborah Ishihara
Head of Content, Ius Laboris

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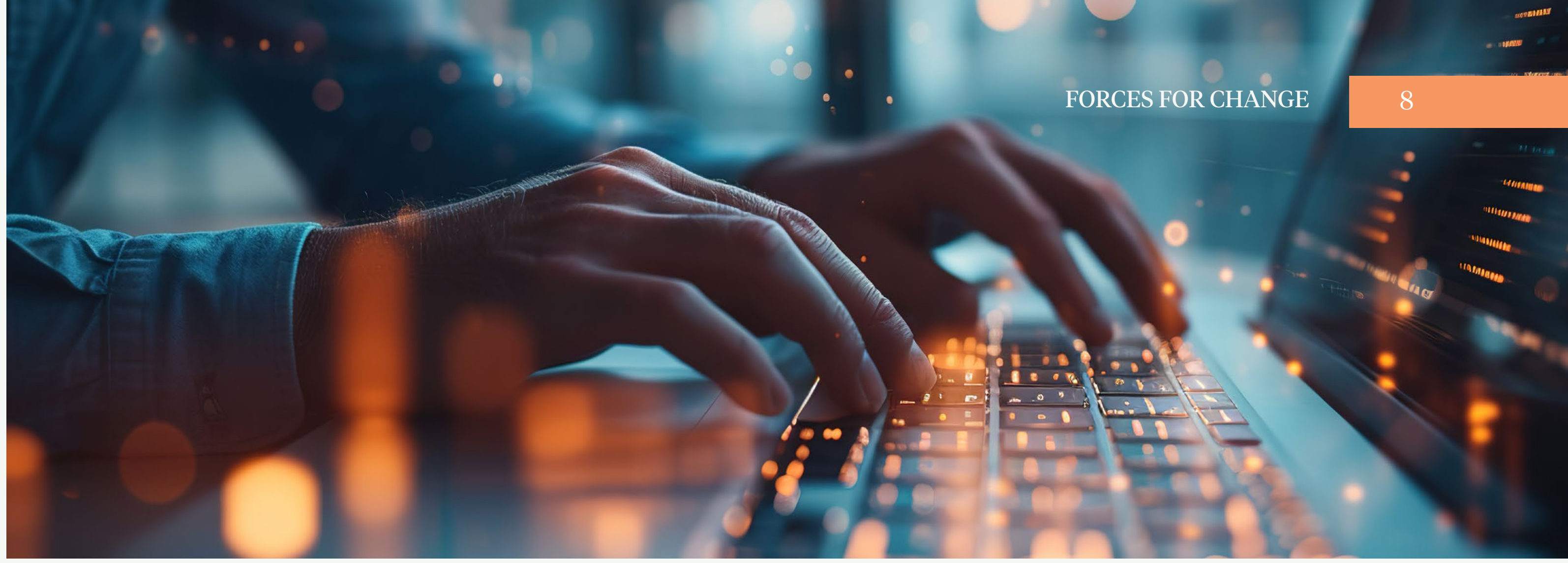


New Generations, new expectations

1 | Is Generation Z looking for something else from work

In a world that is rapidly evolving and where shifting forces constantly reshape the future, understanding workforce expectations has become a vital part of strategic business planning. To minimise predictive errors, however, it is important to remember that employee expectations are not uniform and may vary among different age groups. While many scholars believe that different generations have more in common than what divides them, it is evident that growing up with varying life experiences inevitably shapes each generation's values, beliefs and priorities.[1]

Today, the global workforce spans four distinct generations:[2] Baby Boomers (1946–1964), Generation X (1965–1980), Generation Y (1981–1996) and Generation Z (1997–2012). Each of these cohorts brings unique experiences and perspectives to the workplace. Generation Z, the youngest generation in the labour market, is going to form a significant part of the workforce of the future. Understanding the new approaches and expectations they bring is crucial for businesses aiming to stay competitive and relevant.

Generation Z is unique in many ways. They have grown up in a world vastly different from that of previous generations, during an era of rapid technological change, making them the first true digital natives. Generation Z entered the labour market at a time when debates over climate change and global warming were gaining prominence and when sustainability,

BABY BOOMERS (1946–1964) → GENERATION X (1965-1980) → GENERATION Y OR MILLENIALS (1981- 1996) → GENERATION Z (1997 - 2012)

gender equality and the green transition became matters of everyday discussion.

This generation began their professional journeys amid significant societal shifts, but their entry into the workforce has been anything but smooth. The world was struck by the COVID-19 pandemic, which profoundly impacted the world of work. At the moment of their entry, Generation Z felt the consequences of the pandemic more acutely than older generations.[3] In 2022, Generation Z faced a notably high unemployment rate of 12%, compared to just 4% for Generation X and 6% for Generation Y.

Having said that, youth unemployment has been a persistent issue for the labour market, consistently exceeding global unemployment rates. Back in 2000, unemployment for those aged 15-24 was around 13%. By 2010, it had risen to nearly 14.5%, and with the onset of the pandemic in 2020, it spiked to 17%. In comparison, global unemployment rates for the same years were 6.2%, 6.4%, and 6.6% respectively (ILOSTAT).[4]

The high unemployment rate among young people, including Generation Z, can be partly attributed to biases in the labour market. Employers often view younger workers as less costly to lay off compared to older employees, as their dismissal costs are generally lower. Employment protection laws usually require a minimum period of tenure before they apply, and redundancy compensation tends to increase with length of employment. Since young people typically have shorter job tenures, they are more vulnerable to dismissal. Additionally, given that young individuals make up a significant portion of new jobseekers, they are disproportionately affected by economic downturns.

James Davies

Partner
Ius Laboris UK

"Demographic change is profoundly altering the world of work. The combination of evolving societal expectations and younger cohorts joining the workforce is having a significant impact on the workplace. Employers that address these changes can achieve a competitive advantage."

Despite the challenges of entering the labour market, Generation Z has brought a fresh perspective to the workplace. Stanford University scholar, Roberta Katz[5] has described a typical Generation Zer as "a self-driver who deeply cares about others, strives for a diverse community, is highly collaborative and social, values flexibility, relevance, authenticity and non-hierarchical leadership, and, while dismayed about inherited issues like climate change, has a pragmatic attitude about the work that has to be done to address those issues."

Dr Alexis Abramson[6], an expert in generational cohorts, has described the characteristics of Generation Z as resourceful, logical and good problem-solvers. Purdue University Global has described Generation Z as motivated by diversity, personalisation, individuality and creativity.[7]

Understanding workforce motivations can enable employers to adjust workplace strategies to attract and retain the best people. Each year consultancy Deloitte publishes a survey of the attitudes of Millennials and Generation Z in 44 countries.[8]

Deloitte's 2024 report highlights the importance Generation Z individuals place on 'purpose' from their work. 86% of Generation Z respondents said

Unemployment rate, total, %, 2022 Generation X, Y, Z

Source: Ius Laboris calculations based on available data from ILOSTAT.

The unemployment rate was determined by calculating the proportion of unemployed individuals within the labour force for each generational cohort. These calculations only take into account data from Europe, North America, Latin America and the Caribbean, and Asia and Oceania.

a sense of purpose from their work was important to their overall job satisfaction and well-being.

'Purpose' can refer to personal, team or corporate wide motivation. In delivering workplace corporate purpose, employers need to align their own values with those of their employees. One value that Generation Z say is important is environmental sustainability. According to the Deloitte survey, 20% of Generation Z workers have already turned down an employer based on their environmental impact concerns, and 26% said that they may do so in future. Other values that Generation Z prize include diversity, equity and inclusion.

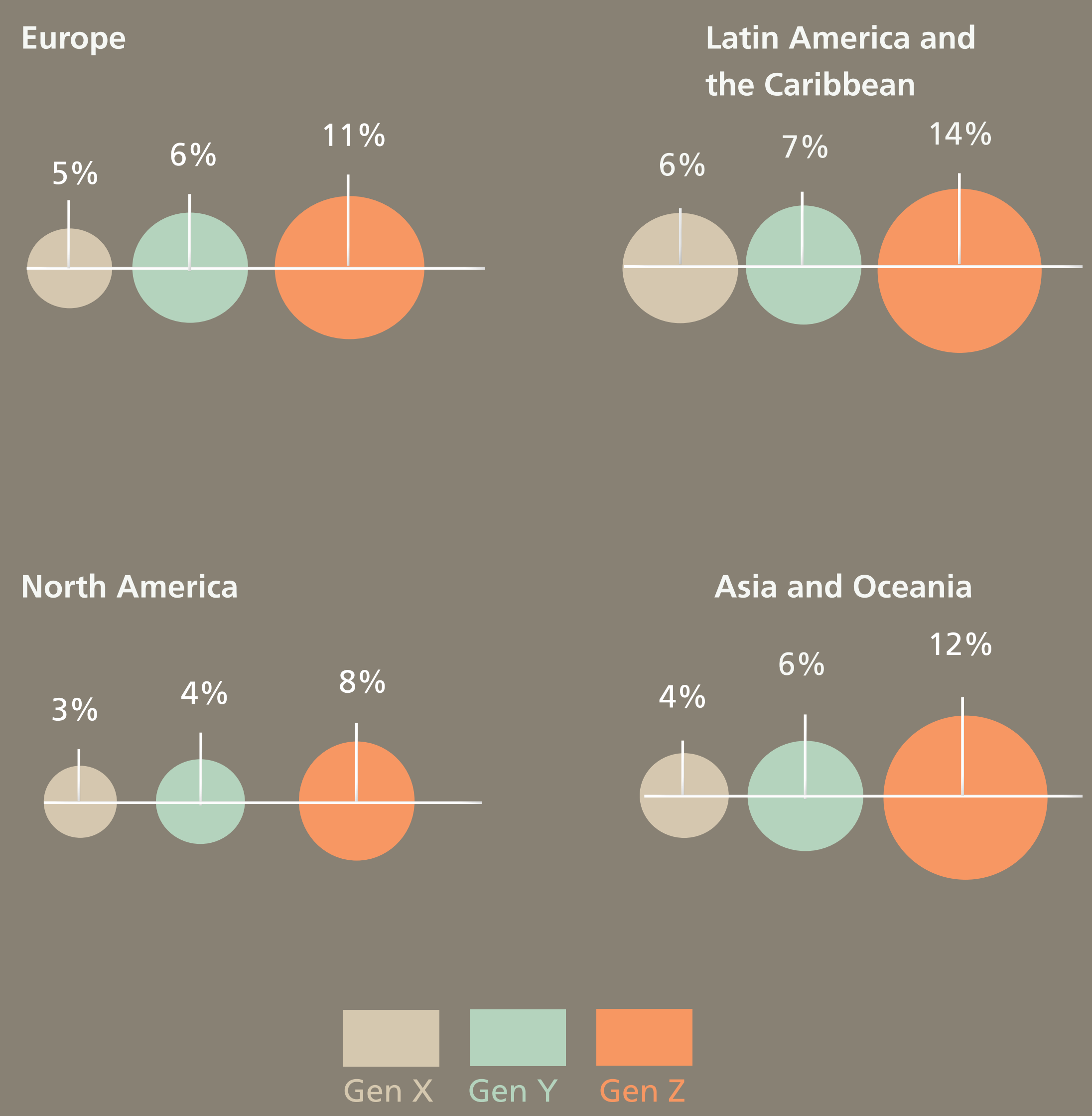
Work/life balance and flexibility as to where and when work is done are also rated as important. In the Deloitte survey, good work/life balance topped the poll by Generation Z for choosing a particular job, followed by training and development opportunities. However, pay remains an important factor, ranking third in the reasons why Generation Z choose a job and top of the reasons why they leave for another job.

GENERATIONAL CHARACTERISTICS OR LIFE STAGE CHARACTERISTICS?

To what extent do the values and priorities of Generation Z merely reflect those of workers in their 20s in any era? Will those values evolve as life circumstances change and those in a particular cohort start families and look to get on the housing ladder? Or will Generation Z retain their values and priorities as they get older and Generation Alpha enters the workforce?

When the Baby Boomers first joined the workforce, their expectations were heavily influenced by the post-war economy.[9] They prioritised, among

Regional unemployment rates, total, %, 2022 Generation X, Y, Z



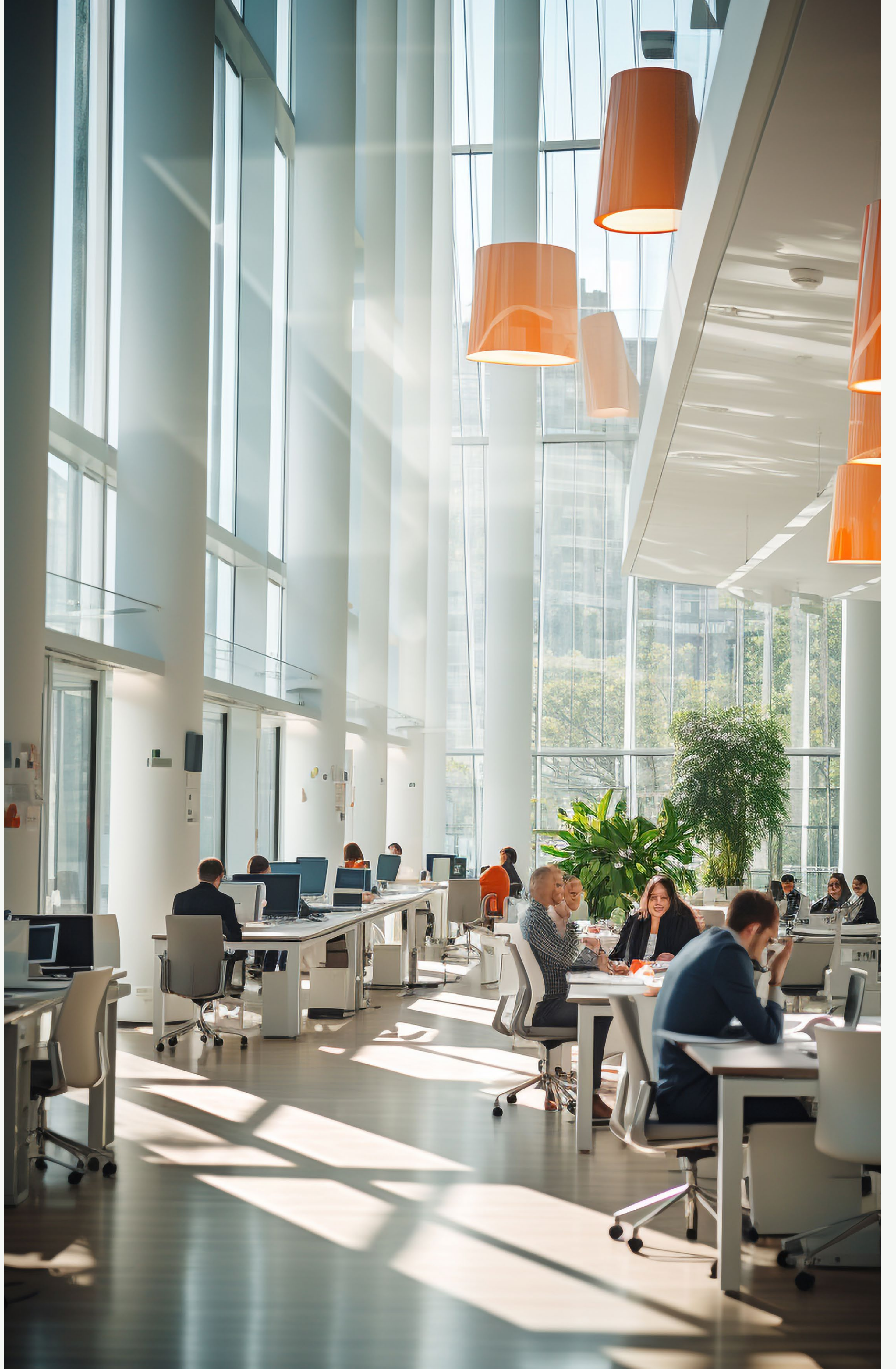
Source: Ius Laboris calculations based on available data from ILOSTAT.

The unemployment rate was determined by calculating the proportion of unemployed individuals within the labour force for each generational cohort, for the following regions: Europe, North America, Latin America and the Caribbean, and Asia and Oceania.

other things, stability and long-term job security, valuing loyalty to a single employer with the aim of progressing within the same organisation. While they have since embraced other priorities, their core expectations have only slightly evolved. The same can be said for Generations X and Y.

Generation X, who came of age during a period of early technological advancements and significant socio-political shifts, placed greater emphasis on independence and self-sufficiency than the previous generation. Generation Y, having grown up at the turn of the millennium, witnessed the transition to a digital world. They prioritised personal growth and often approached employer loyalty with a degree of scepticism. Like the Boomers, Generations X and Y have since broadened their priorities, giving greater importance to flexibility and work-life balance over time, but their original expectations have largely remained consistent.

If Generation Z follows a similar pattern, their values will not change markedly as they get older. Even if their priorities shift at different life stages, it is unlikely they will abandon their commitment to, for example, diversity, inclusion and sustainability. Some of this may be because, in certain key respects, their expectations



are not so different from those of previous generations – and meeting their expectations will also meet the aspirations of the other generations.

Flexibility, for example, is valued across the generations and more so than in decades past, perhaps because of the experiences of working through Covid, perhaps as caring responsibilities across generations increase with both parents more likely to be working and the demands of elder care growing, and perhaps as technology facilitates a greater flexibility as to the when, where and how much of work.

A range of surveys and studies find that Generation Z individuals look for purpose and flexibility, value feedback and training and development. Good pay is important but not as much as for the older generations, probably because priorities shift as workers get older and because of evolving values. Sensing a good alignment of the values

> **Understanding workforce motivations can enable employers to adjust workplace strategies to attract and retain the best people.**

of the brand they work for with their own values also features prominently. Crucially, Generation Z are increasingly willing to reject employers with whom they don't align.

However, The Deloitte 2024 survey finds that Millennials – people approximately between their late 20s and mid-forties today - score similarly in most respects to Generation Zs. Perhaps predictably, Millennials rank pay above training and development opportunities (though still below flexibility and work/life balance), but otherwise there are few major differences.

The State of Motivation Report 2024[10] also considered generational attitudes to various factors and found, in many cases, little difference between generations. One exception was 'feedback', which was seen to be more valued by Generation Z than Millennials and much more than by Generation X or Baby Boomers. This report also reinforced Deloitte's finding that for Millennials, money was more important than for Generation Z. Reward will remain important but paying more than competitors won't be enough to attract, retain and motivate the best people.

The evidence that Generation Z employees value feedback and training and development more than other generations indicates an appetite to develop, which should be welcomed by organisations that need to train and develop workers for a technology enabled world of work where new skills will be in high demand.

CULTURE CLASHES

Unlike other forms of diversity, age is a characteristic that everyone shares. However, statistics show that within a workplace, people are much more likely to be friends with people of a different gender, sexuality or race than a different age or generation. Cultural standards for what age means to people can enable ageism to persist and create barriers to meaningful connection. The combined effect of divisions in society becoming more polarised and employees being increasingly willing to bring their views and opinions into the workforce, means that there is potentially more intolerance toward the views of others.

Edelman's 2023 Special Report on Trust at Work[11] found that nearly 8 out of 10 of those in Generation Z (and Millennials) expect to shape the future through work. Both of those generations bring the outside world to work, with over 65% frequently engaging in conversations with colleagues about important societal issues. And 60% of employees say that coworkers in their twenties have influenced their willingness to pressure their employer to change things they do not approve of.

Emerging societal discord is used by some for political gain. Younger generations are denigrated by elements within the older generations as being 'woke' or 'snowflakes' who lack resilience.

> **In many cases, meeting the aspirations of Generation Z means meeting also the aspirations of all other generations.**

The word 'woke' is often used in the media in derogatory terms but is defined in the Cambridge Dictionary as 'aware, especially of social problems such as racism or inequality'. Many, including most in Generation Z, would see that as a positive characterisation.

As ESG policies come under attack as part of broader 'culture clashes' in many places, sustainability, diversity and inclusion remain valued by the younger generations. Conflicts over these issues can easily arise, especially between older and younger workers, and employers need to be increasingly adept at navigating these emerging workplace tensions.

Generation Z may well reflect different political views to those from older generations. In the 2019 UK general election, age was the greatest correlator with political affiliation, with the young typically supporting the left-wing Labour party and older voters supporting a more populist right-wing Conservative party. There was a similar trend in the 2020 US presidential election, with younger voters turning out in much greater numbers for the Democrats than the Republicans and with the opposite trend being seen for older voters.

The UK also saw this generational divide at the time of the Brexit referendum. Age was second after education as a guide to voting behaviour on the referendum, with the young much more in favour of remaining in the EU than older voters. These new political divides could reflect different value sets – with younger voters tending toward liberal, internationalist, progressive values and older voters tending toward more autocratic, nationalist, traditional values – and these different value sets will need to be managed carefully to promote inter-generational harmony in the workplace.

This political age split as just described, has, however, come into question recently in Europe, with the rise of the autocratic, nationalist, traditional far-right parties, as these are reportedly attracting significant support from the young. It will be particularly interesting to see the extent to which age-based politics continues to describe what happens in elections around the world going forward.

CONCLUSION

There are many reasons to believe that while Generation Z may build on and add to their priorities over time, their core beliefs are unlikely to change dramatically. Although the generations making up today's workforce share common values relating to flexibility and work-life balance, there are also differences in what they consider important. Therefore, to attract and retain young talent and to avoid conflict between generations, employers will need to become increasingly aware of and skilled at navigating emerging generational differences.

Takeaways

1

Generation Z is strongly oriented towards ethical and social values. It is important for employers to show a real commitment to these issues, offering corporate social responsibility programmes, sustainability-related benefits, and credible diversity and inclusion policies. Transparency in corporate practices and coherence between what has been communicated and what has been done are crucial to keep employees belonging to this generation engaged.

2

Total reward policies should include advanced technological tools and digital platforms for benefits management and internal corporate communication. Solutions such as mobile apps for tracking and managing benefits, gamification platforms for learning and career development and digital wellness and wellbeing programmes will all be highly appreciated.

3

Continuous learning and skills development are key factors for Generation Z. Employers should offer opportunities for training and professional development, such as online courses, mentoring programmes, workshops, and support for further studies. These will not only increase employee satisfaction, but also enhances their productivity and skills.

4

Generation Z seeks an excellent balance between work and personal life. In the near future, flexible work policies with flexible hours and telecommuting options, along with benefits relating to personal well-being and mental health - such as extra days off, shorter working weeks or counselling services - will be considered more as factors contributing to health than simply a means of motivating employees.

5

Generation Z desires frequent feedback and appreciates receiving timely recognition for their work. It is essential to create a system of regular feedback and frequent recognition. Total reward policies must include performance-based recognition programmes, rewards for achieving goals, and peer recognition platforms.

6

Although Generation Z is motivated by ethical values and development opportunities, financial compensation remains important. Employers need to offer competitive compensation packages that not only include adequate salaries and benefits in kind, but also attractive and motivating financial benefits, such as management by objectives, long-term incentives and stock option plans.

Demographics in transition

2 | Beyond 2024: trends to watch

People are the foundation of any successful business model, and the importance of labour cannot be overstated. Therefore, it is crucial for businesses to stay ahead of the curve by anticipating shifts and changes that can have a direct impact on their employees. Demographic transitions are particularly significant in this context.

In the last several decades, the world population has undergone farreaching evolution. While trends vary across regions, these changes have touched almost all countries.

The world population reached 8 billion in November 2022. It is projected to grow to around 8.5 billion by 2030, 9.7 billion by 2050, and could peak at around 10.4 billion in the 2080s. Sub-Saharan Africa is expected to contribute more than half of the anticipated global population increase by 2050, with the least developed economies growing the fastest.[12]

THE WORKFORCE IS TURNING SILVER

As the world population ages, so does the workforce. The number of people aged 65 and over is expected to more than double, increasing from 761 million in 2021 to 1.6 billion by 2050. The number of those aged 80 and above is growing even more rapidly, rising from 155 million in 2021 to 459 million by 2050. Regions such as North Africa, Western Asia and Sub-Saharan Africa are expected to see the fastest growth in their older populations over the next three decades. Currently, Europe and North America have the highest proportion of older individuals.[13]

For comparison, in 1980, about 15% of residents in Europe's ten oldest populations (in order, starting with the oldest: Sweden, Germany, Austria, the United Kingdom, Norway, Belgium, Denmark, France, Switzerland and Luxembourg) were aged 65 or older. By 2021, this proportion jumped above 20% in all ten countries and is expected to reach around 30% by 2050. Although Japan had the world's oldest population in 2021, it is anticipated that China, Hong Kong SAR and South Korea will surpass it before 2050. Consequently, the world's oldest populations will shift geographically from Europe towards East and South-East Asia, with the latter expected to

16%

of the population in Sweden was aged 65 and over in 1980, making the country the world's oldest at that time.

30%

of Japan's population was aged 65 and over in 2021, making it the oldest country in the world in that period.

40%

of the population being over 65, the Republic of Korea is expected to lead the list of the world's oldest in 2050.

include five of the ten countries with the oldest populations by 2050.[14]

An ageing population is challenging countries in many ways. Governments are increasing their budgets for social spending and healthcare. In economies where the working-age population is shrinking, the cost of labour could increase as a result of there being fewer available workers. Certain industries face skills shortages, increasing the wage premium for skilled labour.

At the same time, in countries with aging populations, the pressure on state pension systems is increasing. We have recently seen waves of intense discussions, if not protests, in countries such as France, Germany, Italy and Belgium over proposed pension reforms. France, in particular, faced a highly charged situation, with over a million people taking to the streets to protest the government's proposal to raise the retirement age from 62 to 64.

The situation is particularly challenging in countries where the elderly population is increasing while the working-age population is shrinking. This demographic shift puts significant strain on pension systems quite simply because there are fewer workers contributing to pension pots and more retirees drawing from them.

One way to assess the balance between the working-age population and the elderly population is by calculating the old-age dependency ratio. This measures the number of elderly people relative to those of working age and its evolution, broadly speaking, depends on mortality rates, birth rates and migration.

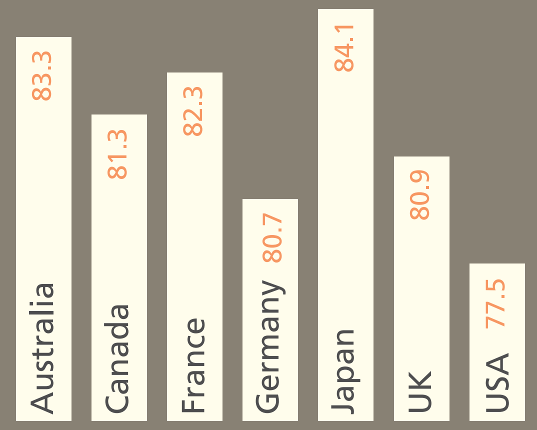
In 2023, Japan had the highest old-age dependency ratio of 54.5%, meaning there were 54.5 individuals aged 65 and over for every 100 persons of working age. Other countries with high dependency ratios included Finland (43.1%), Germany (41.4%), Italy (40.9%), Greece (38.7%) and France (38.4%). In contrast, Latvia and Lithuania had the lowest ratios, at 3% and 3.6% respectively. On average, the ratio among all OECD countries was 33.1%. However, this average is expected to increase significantly by 2050, reaching 52.7%. Some countries are expecting to face dramatic increases, with the ratio in Japan jumping to 80.7% and exceeding 70% in Korea, Spain, Greece, Italy and Portugal.[15]

WE LIVE LONGER THAN EVER

Advances in healthcare, nutrition and living standards have led to longer life expectancy across many countries. Improved medical treatment, vaccines and healthcare services have significantly reduced mortality rates and extended the average lifespan. According to the United Nations Population Division, global life expectancy at birth for both sexes has increased from 46.5 years in the mid-1950s to 71.7 years in 2022 and is projected to reach 77.3 years by 2050. Between 1950 and 2000, life expectancy in Asia rose by more than 25 years, narrowing the gap with North America and Europe from over 20 years to less

Life expectancy by country, 2022

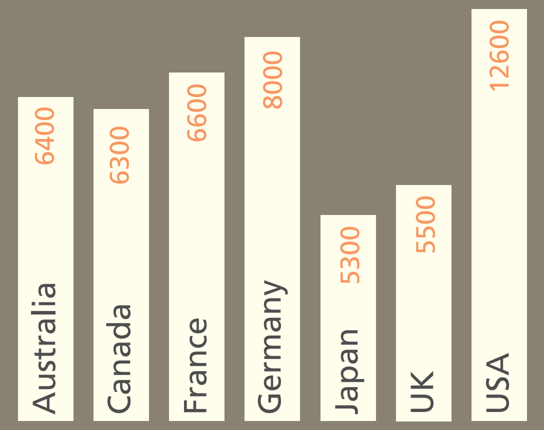
Years



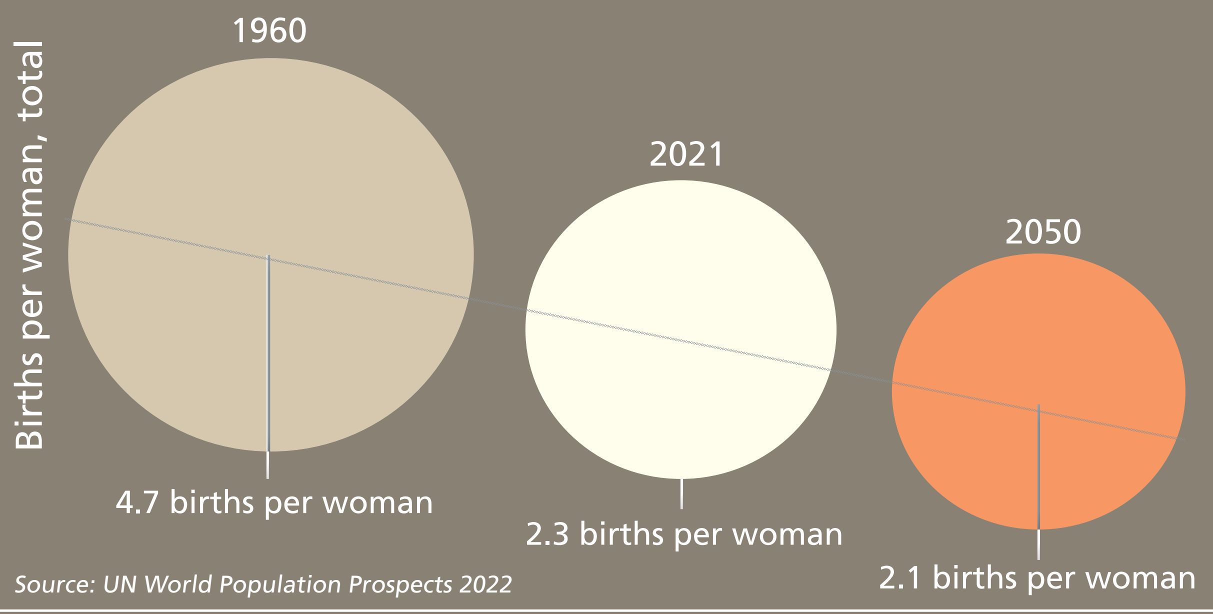
Source: Visual Capitalist, 2024

Health spending per capita, 2022

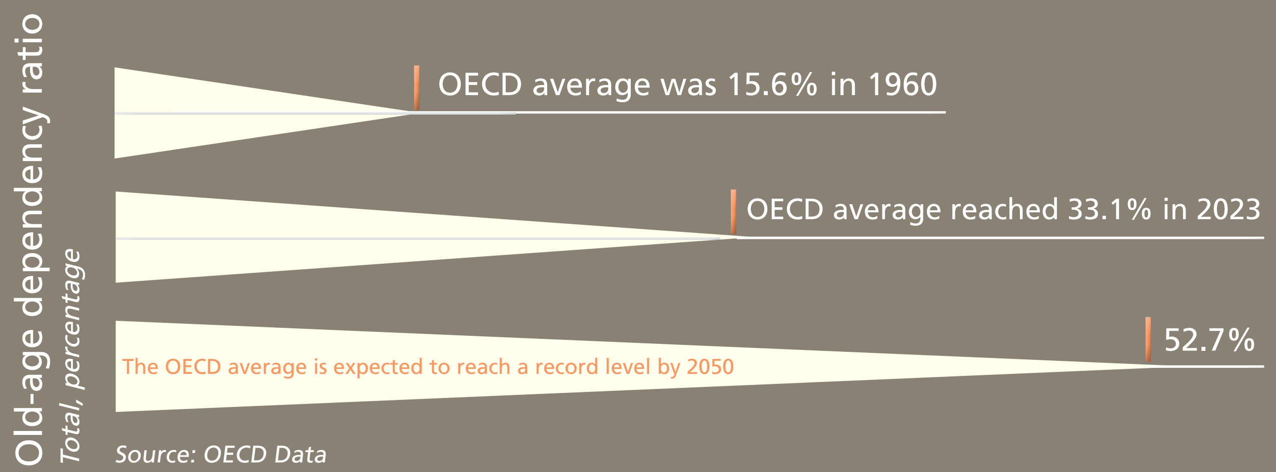
US dollars



Source: Visual Capitalist, 2024



Source: UN World Population Prospects 2022



Source: OECD Data

than 10 years. By 2050, Asia is expected to nearly match the Western world's life expectancy, approaching 80 years. Africa, however, is the only region forecast to lag behind the rest of the world in life expectancy by 2050s.[16]

THE STORK IS TAKING A BREAK

We live longer but have fewer children. Economic development, higher educational attainment, increased labour force participation by women and the widespread use of contraception are among the factors contributing to lower birth rates across the world. In the 1960s, the average number of births per woman was around five. By 2021, this number had decreased to 2.3 births per woman. This decline is expected to continue, with the global birth rate forecast to fall to 2.1 births per woman by 2050. This happens to be exactly the 'replacement level' necessary for a population to replicate itself from one generation to the next.[16]

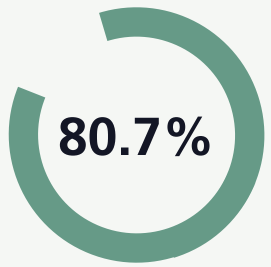
Even though birth rates vary significantly across the regions at present, they are expected to drop noticeably in almost all regions by the 2050s. In Sub-Saharan Africa, birth rates have historically been the highest. In 1950, women in this region typically had around seven children, but by 2021, this number had dropped to just under five. Estimates suggest the rate will continue to decrease, potentially reaching about three children per woman by 2050.[17]

In North Africa and Western Asia, a similar downward trend is evident. Back in 1950, women in these regions had on average nearly seven children, but by 2021, this had reduced to just under three. By mid-century, it is expected to fall even further, approaching 2.5 children per woman. Central and South Asia have also experienced a dramatic shift. From nearly six children per woman in 1950, the rate fell to just over two by 2021, with the prognosis being for a slight further decrease by 2050. Latin America and the Caribbean have seen their birth rates halve over the past seventy years. From nearly six children per woman in 1950, the rate had dropped to two by 2021 and is anticipated to dip slightly more by 2050.[18]

Europe and North America already have some of the lowest fertility rates. European women had around 1.5 children on average in 2021, with similar figures expected to continue through to 2050. In North America, the rate was slightly higher, at 1.6, but as with Europe, it is expected to remain steady at that rate.[19]

Projection for Japan by 2050

Old-age dependency ratio



Source: OECD Data

3 | How some countries are reacting to retirement trends

An ageing population is an irreversible global trend and it risks posing continuous challenges over the next few decades. Pension systems, designed when populations were younger and life expectancy shorter, are now under immense pressure. Many are rapidly becoming unsustainable and this imbalance jeopardises the economic security of future retirees.

To mitigate the impact of an ageing population, governments around the world are starting to implement a raft of measures. While there is no one-size-fits-all solution, nations are amending pension laws and updating regulations to adapt to the changing demographics. In a recent Ius Laboris survey, we delved into the details to examine how countries are reacting to demographic shifts across nine jurisdictions from different regions. Here's what they told us.

ITALY

Since 1995, there have been many reforms restructuring the pension system, including progressive increases to the pension age and requirements.

Aldo Palumbo
Partner
Ius Laboris Italy

Laura Mancini
Senior Associate
Ius Laboris Italy

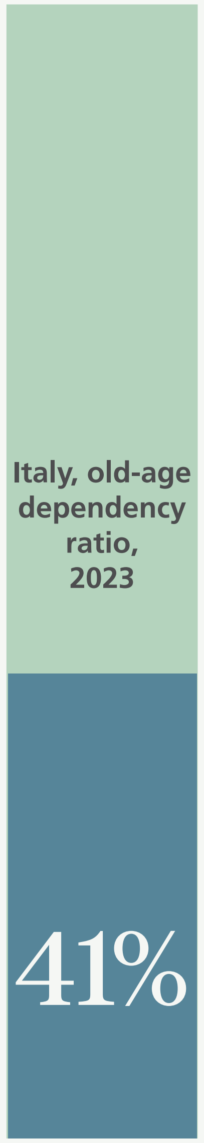
Under the current system, pensions must be calculated based on contributions rather than earnings. The retirement age is 67 years for both male and female employees and that age is set to increase bi-yearly, in accordance with increasing life expectancy.

Workers who have paid social security contributions for 42 years and 10 months for men and 41 years and 10 months for women are entitled to a pension regardless of their age (this is also subject to increase based on life expectancy).

In recent years, measures (often temporary) have been taken to facilitate early retirement for specific categories of employees, including those whose tasks are stressful, notably women who have had children and workers who started working early in their lives.

In addition, a new provision is aimed at facilitating a generational relay: employees who reach the requirements for pension in the next three years can stop working while the employer continues to pay monthly social security contributions. Simultaneously, the employer must hire employees not older than 35 years for a period of not less than three years.

When an employee becomes eligible for old age pension, the employer is entitled to dismiss him or her without cause, in other words, the ordinary legal protection against unfair dismissal ceases to apply at that point. Before 67, an employee may opt to continue to work until 71 (with the usual protection against unfair dismissal), but only if the employer consents. If the employer withholds consent and tries to dismiss, however, this could still lead to a challenge for discrimination based on age, if age was the only reason to terminate the employment.



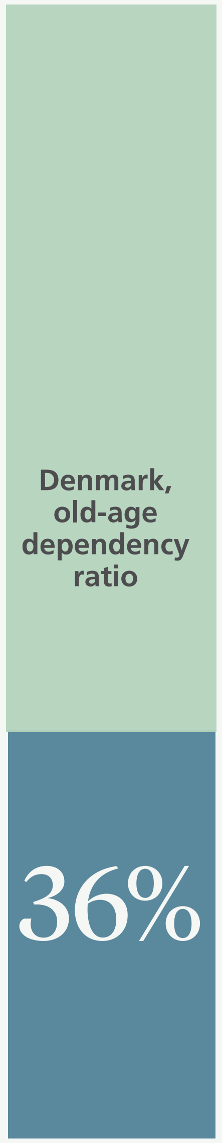
Source: OECD Data

DENMARK

The pension system in Denmark is generally considered to be one of the most sustainable in the world. One of the reasons is that in 2006, a cross-party political agreement was made to continuously review and increase the retirement age based on life expectancy. The retirement age is reviewed every five years, and overall there seems to be a common understanding between members of the Danish Parliament about the benefits of this system.

However, as the retirement age has increased with every review since 2006, and as the younger generations currently face a retirement age of over 70, public debate about whether we have reached the limit has intensified. One of the questions on people's minds is about whether a distinction should be made between manual labour and office work with regard to the retirement age. This debate has led to the introduction of two special schemes providing access to early retirement subject to certain conditions. One of the schemes deals with deteriorating health and the other, seniority in the labour market.

Public debate on the sustainability of these early retirement schemes (given that the takers for them are increasing rapidly), in combination with an ongoing debate about the decreasing numbers in the workplace, has led to continued political focus on retirement. However, so far, the various initiatives being mooted are minor compared to the 2006 reform. They include tax benefits for retired employees working part-time in certain sectors (e.g. healthcare) and various



Source: OECD Data

Sara Baldus

Senior Associate
Ius Laboris Denmark

"The pension system in Denmark is generally considered to be one of the most sustainable in the world."

schemes aimed at retaining elderly employees in some sectors of the labour market, such as additional days off.

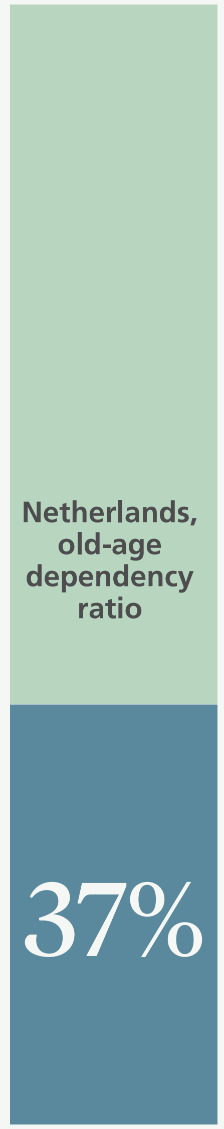
NETHERLANDS

The challenges that come with an aging workforce and increasing longevity have been on the political agenda for many years in the Netherlands and have led to several changes in Dutch law.

The Dutch state pension age has been increased gradually from age 65 in 2013 to age 67 in 2024 – and the pension age is linked to life expectancy: for every 4.5 months increase in average life expectancy, the state pension age automatically rises by three months. The government announces the new state pension ages five years in advance, based on how life expectancy evolves. It was announced in 2023 that the state pension date will rise to age 67 and three months in 2028 and will remain at that level in 2029.

Due to the increase of the state pension age, temporary measures were introduced in 2021 to enable employees with physically demanding jobs to retire up to three years before the state pension date, although that arrangement is set to end in 2025. This has caused the unions to demand the government to introduce a more permanent solution for this group of workers. Employer associations, by contrast, are in favour of solutions for those employees who do not reach the pension date in good health, but they wish to prevent the renewal of the early retirement schemes.

With regard to private sector



Source: OECD Data

Corine Hoekstra

Partner
Ius Laboris Netherlands

"The challenges that come with an aging workforce and increasing longevity have been on the political agenda for many years in the Netherlands."

pensions, early retirement schemes, which once were common, have been limited since 2006. In addition, recent revisions to pension legislation have led to a shift from defined benefit to defined contribution schemes, with variable pension benefits.

An employment contract in the Netherlands can automatically expire when the employee reaches the state pension age and the private pension age can be brought forward or postponed to bring this in line with the state pension date.

ARGENTINA

In Argentina, the main pension system is the Argentine Integrated Pension System (SIPA), which is public and pay-as-you-go. However, there are 177 other systems that have special funds or special conditions.

In the SIPA system, a minimum age of 60 is required for women and 65 for men. In other systems, the age is usually lower. On average, the retirement age is 63 but there is considerable variation, since 24% of men and 1% of women retire before reaching the minimum age, due in part to early retirement schemes for certain categories of workers.

The pension system presents considerable inequality regarding retirement benefits. The main problem lies in the 30 years of contributions required to access a pension, which penalises those who do not reach this requirement. Due to issues of institutional design of the system and, above all, to broader social inequalities, this problem disproportionately affects women. One proposed strategy to address this is to develop a system with a non-contributory pillar that guarantees a coverage floor and a contributory pillar that reflects the contributions made throughout the working life of the beneficiaries.

The law in Argentina stipulates that companies cannot force their employees to retire until they are 70 years old. This law was intended to encourage employees to delay retirement.

Pablo Buracco

Partner
Ius Laboris Argentina

"The pension system presents considerable inequality regarding retirement benefits. The main problem lies in the 30 years of contributions required to access a pension, which penalises those who do not reach this requirement. "

Source: OECD Data

GREECE

In response to the challenges posed by an ageing population, Greece has implemented a series of pension reforms since Greece's 2014 financial crisis. These include reductions in pension benefits, an increase in the retirement age, and a focus on supplementary pensions and social solidarity benefits.

The Government recently presented the National Action Plan for Demography, focusing on five main pillars: supporting families, strengthening the workforce, managing longevity/ageing, improving quality of life and promoting growth. To stimulate the social security system, the government has recently taken the step of abolishing the pension deduction for working pensioners. This is designed to encourage continued work. Meanwhile, a new 'special' residence permit has been introduced to attract new migrant workers, with the aim of boosting social security inflows.

UNITED KINGDOM

The state pension was reformed in 2016 with the aim of simplifying the system. Changes have also been made to equalise retirement ages for men and women. The Government continues to review the state pension age regularly, taking into account average life expectancy, among other factors. The state pension age will rise from 66 to 67 by the end of 2028.

The Government recently announced various

Katerina Dipla

Senior Associate
Ius Laboris Greece

Kate Whitford

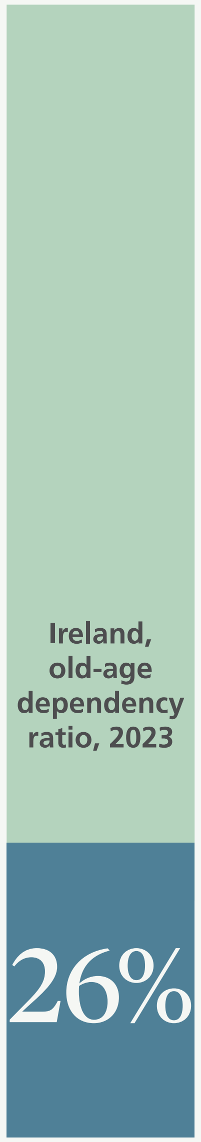
Senior Associate
Ius Laboris UK

proposed reforms to private sector pensions that are aimed in part at increasing the level of private pension wealth among individuals to help support them over retirement. In addition, the Government is considering changes to minimum 'automatic enrolment' requirements to increase private pension saving. Proposed changes include reducing the eligible age for employees to be automatically enrolled into a pension scheme from 22 to 18 and widening the band of 'qualifying earnings' on which employee and employer pension contributions are paid.

The Government also introduced tax changes in 2023 and 2024 with the intention of encouraging older employees to return to work or stay in work for longer. The changes were particularly aimed at keeping NHS doctors in the workforce.

While in general, individual engagement with pensions is relatively low, there is increasing focus in the pensions industry and in government on individuals understanding pensions and how pension saving will impact their quality of life in retirement. This is an increasingly important issue as fewer retirees have valuable 'defined benefit' pension income in retirement.

Source: OECD Data



Source: OECD Data

IRELAND

In 2024, a number of measures have been introduced, or plans to introduce have been announced, by the Government in response to recommendations from the Pension Commission. These include:

- Maintaining the State Pension age at 66 but introducing a new flexible pension age model. From 1 January 2024, people now have the option to continue working up until the age of 70 and defer claiming the State Pension (Contributory) in return for a higher pension rate at the later age. This change also has the effect of allowing people to improve their social insurance record and potentially increase their pension rate when they retire, along with allowing those who started working later in life to make additional contributions to qualify for a pension. While there is no corresponding obligation on employers to allow employees to continue working up to the age of 70, there will no doubt be an increase in the number of requests from employees to do so. Many employers, particularly those who still have a mandatory retirement age, may find this challenging.
- The Government recently announced plans to introduce legislation allowing an employee to stay in employment until the State Pension age, if they wish. The proposed legislation provides that, in general, an employer cannot set a compulsory retirement age below the State Pension age if the employee does not consent to retire.

Sinead Likely
Senior Associate
Ius Laboris Ireland

- A move to a 'Total Contributions Approach' for calculation of individual pensions entitlements will be implemented on a phased basis over ten years from 1 January 2025.

With regard to private sector pensions, Ireland is adopting a new law requiring employers to automatically enrol qualifying workers into workplace pension schemes. The scheme will be co-funded by the employer and the state, and it will be administered by a Central Processing Authority rather than by the employer. Employers will have to meet minimum contribution rates. The new requirements will not apply to employees who are already members of a qualifying occupational pension scheme.

Irish courts have taken the position is that having a mandatory retirement age is not discriminatory provided it is objectively and reasonably justified by a legitimate aim, and the means of achieving the aim are proportionate and necessary. While there had been a growing number of age discrimination cases where the courts emphasised the importance of considering mandatory retirement on an individual basis in determining whether it was proportionate, a recent Supreme Court decision held that there is no requirement to conduct a 'case by case' or individual assessment approach when setting a retirement age for staff.

BELGIUM

Belgium has taken a number of steps recently to address demographic shifts.

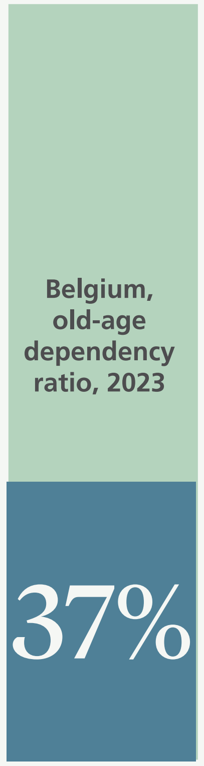
It has increased the normal state pension age from the current age of 65 to 66 (as of 1 January 2025) and 67 (as of 1 January 2030). The criteria for taking the state pension early (age and career requirements) have also gradually become stricter in recent years.

A 'pension bonus' system was recently introduced which grants an additional net amount on top of the state pension for those who continue to work beyond the age at which they can take early retirement.

Whereas it used to be possible to take up occupational pensions before the state pension retirement age, the law on occupational pensions was changed to link the due date for the occupational pension to the state pension. In other words, the occupational pension is paid (usually in a lump sum) automatically when you take up your state pension. Occupational pensions thus will normally also be paid at 66 as of 2025 and 67 as of 2030.

Jan Van Gysegem

Partner
Ius Laboris Belgium



Source: OECD Data

Source: OECD Data

MEXICO

In response to demographic shifts in Mexico (an aging population and lower birth rates), the Government has implemented several pension amendments in the few years. The pension amendment of 2021 brought about significant changes to the pension system, including:

- The minimum required number of weeks of registered social security contributions to qualify for a state pension was reduced from 1,250 to 1,000. This adjustment addresses the prevalence of informal employment in Mexico, where many employees are not registered with the social security system despite being employed.
- The monthly pension amount was raised from MXN 3,289 to MXN 8,241. This increase aligns with the higher monthly contributions required from employers for employees registered with the social security system.
- The commission percentage charged by the Retirement Fund Administrators (AFORE), which is responsible for managing and investing employees' retirement savings, was reduced.
- A new federal pension programme for the elderly provides monthly economic support to all individuals over 65 years old, irrespective of their social security contributions during their working years. In 2020, receiving this pension became a constitutional right.

Despite the above reforms, Mexico's pension system remains unsustainable in the long run, as there is an inadequate contributor base to sustainably bolster pension disbursements. The pension system is also complicated by issues such as a lack of transparency and inefficiency in how pension funds are managed. Further, a substantial proportion of the labour force lacks access to any pensions framework.

Gabriela Guadarrama Garcia

Associate
Ius Laboris Mexico

4 | Population trends from the employer's angle

According to the OECD Employment Outlook 2024,[20] while the labour market remains resilient, it is notably 'tight' across many countries. Although labour market tightness—measured as the number of vacancies per unemployed person—has eased somewhat recently, it still remains above pre-COVID-19 levels in numerous regions. The demand for workers continues to outstrip supply, creating a highly competitive hiring environment. This situation is particularly pronounced in Australia, where the index peaked at 279 post-2019 before decreasing to 206 in the third quarter of 2023 (in the index, note that the fourth quarter of 2019 rates as 100). Other countries where levels remain above pre-COVID-19 levels include the Netherlands, Norway, Spain, Slovenia, Ireland, France, Lithuania, Belgium, Canada, USA, UK and Austria (levels in descending order). The average OECD index in the third quarter of 2023 was 121.

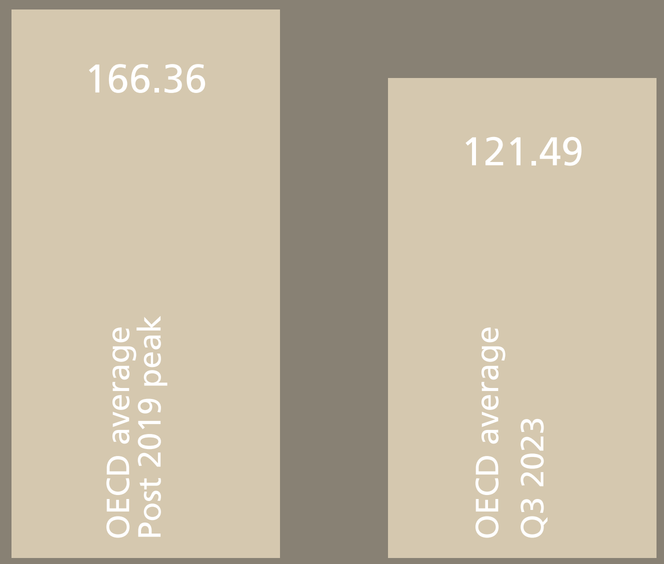
Historically, low-pay industries were often the main drivers of such imbalances, but this is no longer the case. High vacancy rates are now seen across a range of industries, not just those with lower pay. The health sector, in particular, continues to face significant pressures.

Tight labour markets can affect employers in various ways. They might need to enhance job packages and adjust wages to attract and retain talent. Additionally, these conditions can prompt businesses to invest in technology and automation to boost productivity. However, these shortages can also lead to reduced production quality, hinder innovation and slow the adoption of new technologies, particularly if companies lack high-skilled workers.

With labour markets getting tighter, companies need to be particularly savvy about how they manage their teams. It's not just about filling roles; it's about understanding and adapting to the needs of an ageing population, keeping up with rapid technological advancements and meeting the fresh expectations of a younger workforce.

Job vacancies per unemployed person

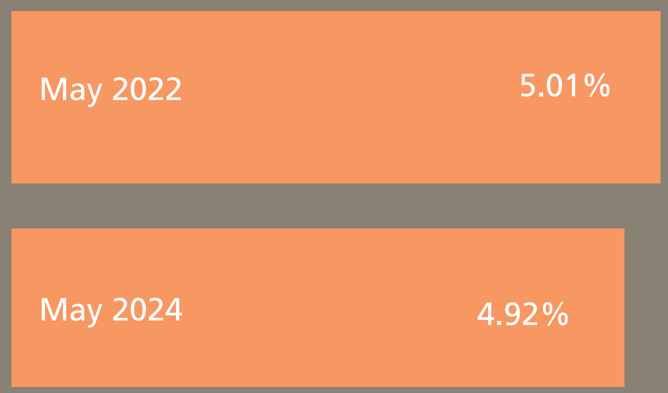
Index, seasonally adjusted, 100=Q4 2019



Source: OECD Employment Outlook 2024

Monthly unemployment rates

OECD total, % of labour force



Source: OECD Employment Outlook 2024

NEW CHALLENGES IN TALENT ATTRACTION AND RETENTION

The labour market is undergoing significant changes. On the one hand, we're seeing an ageing population—people are living longer and enjoying a higher quality of life but having fewer children. On the other hand, rapid technological advancements are pushing boundaries and the younger generation is joining the labour market with a new set of hopes and expectations.

This makes it more important than ever for businesses to have smart workforce management strategies in place, especially in places and sectors where finding good workers is already a challenge.

In recent years, employers around the globe have experienced changes in dealing with employees' needs and priorities. Employers are therefore now even more focused on critical issues such as the development of a positive corporate culture and working environment, gender equality and diversity, and employee engagement.

Nevertheless, the latest human resources surveys[21] report that higher salaries are still a primary motivation in driving employees to seek a new job (so-called 'job hopping'), and inflation has highlighted the importance of increased compensation. Research indicates that salary sometimes even eclipses the opportunity for professional growth or a more advanced role in line with their education as the top worker priority. In fact, the majority of employees say that they would change employer if they could earn more.

Emanuela Nespoli

Partner
Ius Laboris Italy

"Attracting and retaining talent has always been a key factor for employers looking to gain a competitive advantage in the labour market. In the context of the current talent shortage, solid recruitment and retention strategies have become even more crucial."

THE TALENT SHORTAGE AND NEW WORKER PRIORITIES

However, the younger generation of workers in particular do not base their employment decisions and careers solely on pay. This is evident from the 'Great Resignation' phenomenon, which refers to a widespread trend for people to quit their jobs in large numbers, starting around 2021, mainly because they were seeking better work-life balance, more satisfying jobs, or improved opportunities.

Younger employees have an increasingly keen awareness of and interest in social and environmental issues. Political decisionmakers are taking note of these issues to a degree that they have not in the past. Partly as a result of this, employers are gradually moving to place greater emphasis on ESG (Environmental, Social and Governance) and sustainability standards, including in their HR policies, in order to retain their talent.

In terms of compensation and benefits, ESG may be involved not only in setting performance targets and key performance indicators, but also in providing sustainable benefits to employees. Employers who take an ESG-oriented approach will certainly have a competitive advantage when it comes to attracting and retaining the next generation.

SUSTAINABLE BENEFITS AND BONUS PLANS

When it comes to pension schemes and investments in retirement plans, candidates for jobs look for socially conscious and environmentally friendly investments aligned with their values and priorities when they assess job offers. Employers should take the opportunity to re-design their benefits packages to take into account the increasing importance of sustainability.

Among the ESG goals that employees care particularly about is the imperative to reduce carbon emissions. It is worth noting the EU's Corporate Sustainability Due Diligence Directive ('CS3D') in this regard. This Directive, which will impact both EU and non-EU companies, gradually introduces due diligence and disclosure obligations on businesses to

identify and assess the actual and potential negative effects of their activities (and their supply chain) on human rights and the environment. Businesses are further required to enforce long-term climate change mitigation transition plans that ensure a corporate strategy compatible with the transition to a sustainable economy as well as with the containment of global warming.

Moreover, for employers who fall within the scope of the EU Non-Financial Reporting Directive, linking bonus plans to ESG factors may be included in the non-financial statements they are required to produce. These statements must contain information regarding the development, performance and impact of the employer's activities relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery.

Beyond the specific mandatory requirements, employers can respond to employees' sensitivity to the 'E' of ESG by providing individually tailored benefit packages for employees who choose public transport, carpooling, cycling, or walking to work. Another example is the replacement of traditional meal vouchers with locally-sourced food discounts or more environmentally-sustainable meal vouchers.

There are many ways to promote ESG through employee benefits, and all of them can play an important role in attracting and retaining young talent. They also provide a chance to improve both the financial performance and the public reputation of the organisation.

WORK-LIFE BALANCE

Based on the latest surveys conducted by major consulting firms,[22] the priorities of the new generation of employees are not limited to sustainability and variable pay. In fact, for the majority of the employees interviewed, work-life balance is a key issue when selecting an employer. In particular, it has been demonstrated that work-life balance and flexible work, together with a healthy working environment, are highly important concerns, especially for women employees.

Flexible working and work-from-home schemes can be an important tool in promoting work-life balance. However, the social distance between employees and the physical distance between employers and their employees may affect the type and intensity of psychological exchanges between them. This has the potential to impact employee engagement levels and engender increases in staff turnover. Employees who have less face-to-face interaction with the employer may have a lower attachment to the business and feel less obligated to repay the employer's efforts and commitment to their wellbeing with loyalty and engagement.

PAY TRANSPARENCY IN THE TALENT ATTRACTION PROCESS

Recent European legislation has focused on salary transparency, including the mandatory disclosure of salary in job advertisements. Disclosing a fixed salary range is a key to attracting talent, allowing employers to immediately attract the candidates most in line with their open vacancies and to ensure an effective selection process.

It is worth noting, however, that the EU pay transparency obligations for employers don't stop at the pre-hiring phase. Employers must make the objective and gender-neutral criteria used to determine individual pay, pay levels and pay progression easily accessible to employees. Employees must also be given the right to request and receive written information about their individual pay level and average pay levels, broken down by sex, for categories of workers performing the same work or work of equal value.

In addition, the EU is imposing reporting obligations on employers in order to diminish the persistent gender pay gap. This 'gender pay gap reporting' obligation may, under certain circumstances, involve a detailed 'joint pay assessment' that needs to be produced with union involvement.

Legal compliance of various kinds is becoming increasingly complex for businesses, but if the end result is fairer, more equitable and sustainable operations, the younger generations in your workforce will hopefully appreciate your efforts.

Typical Employee Benefits

The benefits listed below are some of those most typically provided by employers across the world. This, and more information, is accessible in the Ius Laboris Global HR Law Guide, a comprehensive country-by-country guide to employment law across the world, providing a clear, comparative overview of the law in over 50 countries.

Visit: iuslaboris.com/global-guide.

Medical expenses, nursery fees, childcare services, contractual sick pay, life and death insurance, occupational injury insurance, parental insurance, unemployment insurance, free or partially prepaid subscriptions to a gym, other sports benefits and survivors' pensions.

School materials for employees' children, education allowances including for foreign nationals, assistance to young and newly-appointed employees, social, welfare and cultural benefits.

Stock plans, retirement plans, additional pension insurance, shared incentives, stock option incentives or restrictive stock units, warrants, profit premiums, lump sum reimbursement of professional costs and profit sharing.

Cell phones, laptops, use of a company car, transport vouchers, home internet connection, connectivity allowances, meal vouchers, accommodation allowances, eco-vouchers, relocation assistance, annual flight tickets or allowances, free newspapers and magazines, flexible distribution of working hours, shopping and welfare services, Christmas bonuses and contractual holiday pay.

Annual performance bonuses, bonuses and awards for contributions to business success, jubilee awards, solidarity payments, Christmas and New Years’ presents for children, contractual maternity and paternity pay.

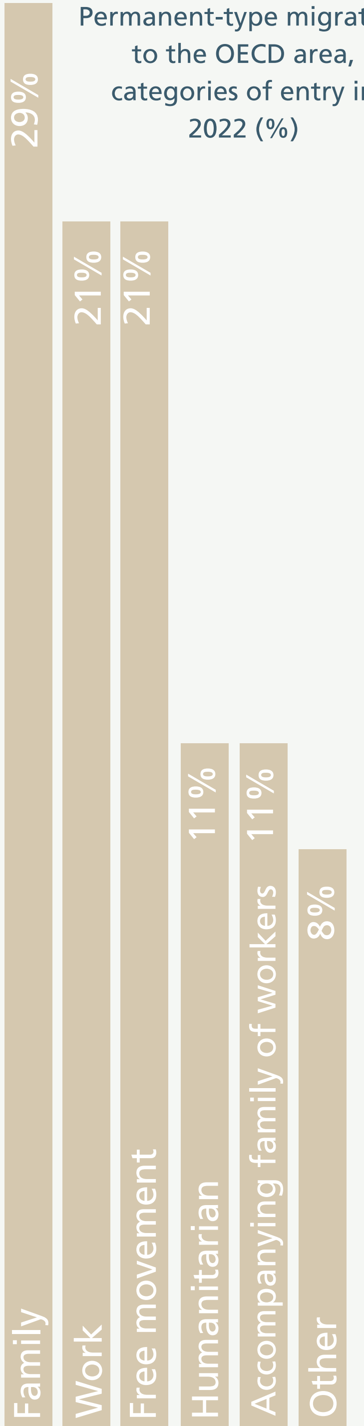
5 | The role of migration

As discussed above, growing pressure from the ageing workforce and falling birth rates, among other factors, has significantly contributed to widespread labour market tightness across many OECD countries. This situation has intensified competition, and in this context, it is important to understand how evolving migration routes impact job markets and what challenges employers face when hiring foreign employees.

Migration is a complex phenomenon and analysing the unadulterated effect of it on economies is challenging, if not virtually impossible. The overall impact depends on numerous factors, including whether or not migration is controlled by governments. Nevertheless, this much is clear: in markets experiencing labour shortages, workforce immigration can partially alleviate the situation.

In recent decades, migration to OECD countries has surged to unprecedented levels. In 2022

Permanent-type migration to the OECD area, categories of entry in 2022 (%)



Source: OECD International Migration Outlook 2023

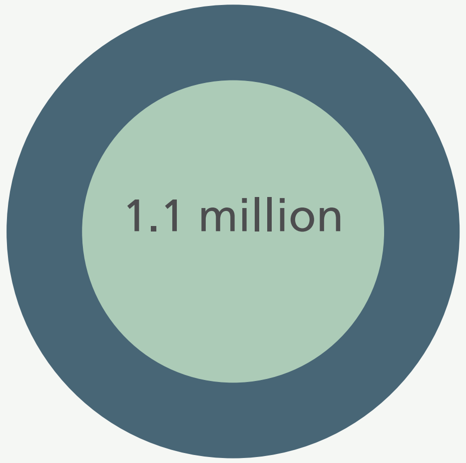
alone, over six million permanent new immigrants (excluding Ukrainian refugees) arrived in OECD countries, setting a new record for permanent migration.[23]

Permanent migration refers to the total of permanent migrants, including but not limited to workers. It was driven upwards by a rise in humanitarian and managed labour migration, with more than a third of OECD countries seeing their highest levels in at least 15 years. Family migration remained the largest category, accounting for 29% of all permanent migration, whilst managed labour migration and free mobility each made up 21%.[24]

Permanent labour migration to OECD countries has been steadily increasing over the last decade. In 2022, over 1.1 million new permanent labour migrants were recorded, representing a 36% rise on the previous year and a 53% increase since 2019. Notably, the number of new permanent labour migrants doubled in the United Kingdom and increased by 59%, 39%, and 26% in Germany, the United States and France, respectively.[25]

Temporary labour migration is a typical response to short-term labour needs and it plays a crucial role in alleviating the pressure caused by tight labour markets. OECD countries welcome millions of temporary workers annually. In 2022, the United States was the top destination, receiving about 40% of all temporary labour migrants. Other leading countries, such as Australia, Canada and Japan, saw their permit levels double or more compared to previous years. Within the EU, temporary labour migration increased by 18% from 2021 and 4% compared to 2019.[26]

With labour demand on the rise, migration has increasingly become a focal point for policy makers. Countries such as Australia and Germany are revamping their labour migration policies, while others are setting new targets to attract skilled workers. Amid these developments, it’s crucial to understand the challenges employers face when hiring foreign employees.[27]



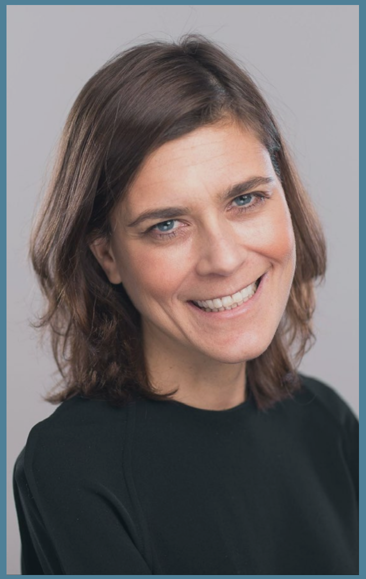
New permanent-type labour migrants in OECD countries in 2022

6 | Hiring foreign employees

Studies have shown that having a diverse workforce with employees of different cultural backgrounds and experiences fosters creativity and innovation. It contributes to a more dynamic and inspiring working environment, in which issues can be viewed from different angles, so enhancing employee performance.

In addition to these benefits, some sectors are facing serious labour shortages and can no longer find the skills they need in-country to do the available jobs. This trend concerns not only highly skilled employees - about which we are in the midst of a so-called 'War for Talent' - but also some medium to low-skilled employees in sectors such as construction and

Sophie Maes



Partner
Ius Laboris Belgium

"Engaging a diverse workforce is enriching, but when hiring foreign employees, immigration routes and strategies should be carefully examined - and in good time - to ensure compliance."

hospitality. Businesses often therefore have no choice but to try to attract employees from abroad. But having a global perspective of this kind also opens the door to a much wider global talent pool than employers would otherwise have.

Yet hiring foreign employees adds an additional layer of complexity in the recruitment process, as in most countries, foreign employees need a work and/or residence permit/visa to be allowed to work and reside in the country.

Exceptions may exist depending on the foreign employee's nationality. This is for example the case in the EU, where employees with the nationality of an EEA member state or Switzerland benefit from the principle of free movement of workers, allowing them to freely move within the EU and work and stay in any other EU member state without a work permit, albeit that some formalities may apply. Non-EEA and non-Swiss nationals, on the other hand, generally require an authorisation to work and to reside in an EU member state, unless an exemption applies.

But how flexible are immigration routes, and do they allow an employer to quickly hire the people they need? And what other hurdles must be overcome in order to engage and attract a diverse workforce? We did a survey involving 28 countries, both within and outside the EU, and below we have set out our findings.

BUSINESS IMMIGRATION RULES: EU

As regards immigration into the EU, the first thing to note is that (with the exception of the so-called 'Schengen' rules) immigration for business purposes is a national matter and it varies in important respects among the Member States of the EU.

For example, some EU Member States such as Austria, Bulgaria, the Czech Republic, Greece, Hungary, Italy, Romania and Slovenia set quotas for outside immigration, whereas no quota applies in countries such as Belgium, Croatia, Denmark, Finland, Luxembourg, Portugal, Slovakia and Sweden. In addition, many EU countries generally apply a 'market test' for a foreign employee to obtain a work and residence permit. This is the case, for example, in Austria, Belgium, Bulgaria, Croatia, Finland, Greece, Hungary, Ireland, Lithuania, Luxembourg and Slovenia. By contrast, no market test is required in Italy, but Italy sets quotas to reduce the gap between the number of entries and actual labour market needs. Portugal, the Czech Republic and Slovakia do not impose market tests, but each vacancy must be reported to the authorities. Sweden does not apply a labour market test either, but the employee must first obtain employment before applying for a work permit and moving to Sweden.

That said, most of the EU countries we surveyed have made exceptions to their quota and/or labour market test requirements. For highly skilled workers, for example, Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Denmark, Finland, Greece, Hungary, Italy, Ireland, Lithuania, Luxembourg, Slovakia and Slovenia make exceptions. For workers in a shortage profession or sector, Austria, Belgium, Croatia, Czech Republic, Denmark, Greece, Hungary, Italy, Ireland, Lithuania, Slovakia, Slovenia make certain exceptions, and certain countries (for example, the Czech Republic, Ireland and Finland) make some other exceptions. Even in Sweden, which has no quota and no labour market test, highly skilled employees can expect a faster application process.

BUSINESS IMMIGRATION RULES: EMEA OUTSIDE THE EU

Still within EMEA but outside the EU, generally, Switzerland has no quotas for EU/EFTA nationals provided they have an employment contract with a Swiss employer. The same goes for labour market tests. In the UK, there are no published quotas and no market test applies, but sponsors of foreign workers must have a Certificate of Sponsorship and keep evidence of any recruitment campaigns related to a sponsored role or explain how they identified that the sponsored foreign employee was suitable for the role. Ukraine has no quotas or market test. Turkey is similar, but the sponsoring Turkish employer must meet a ratio of at least five Turkish national employees per foreign employee.

As regards more flexible immigration routes, the Swiss make no exceptions to their market test and as regards non-EU/EFTA nationals, access to jobs in Switzerland is only available for senior management positions, specialist, or other qualified personnel and permits will only be granted if to do so is in the overall economic interest of Switzerland (with some exceptions for multi-national organisations). In the UK, more flexible routes are available for highly skilled intra-company transferees and leaders in academia, the arts and digital technology, along with seasonal workers in the agricultural and poultry sectors. No exceptions or more flexible routes exist in Turkey, although Ukraine has flexible routes for highly skilled employees, shortage professions and certain other categories of employee.

BUSINESS IMMIGRATION RULES: OUTSIDE EMEA

Outside EMEA we see in the surveyed countries that quotas, but no labour market tests, apply in Kazakhstan, Argentina and Brazil. In Chile, 85% of an employer's employees must have Chilean nationality, and in Brazil 75% of the employees of a Brazilian company must have Brazilian nationality. India and Colombia on the other hand, have no quotas and no labour market tests, but a Colombian company must inform the authorities as to why a Colombian national has not been considered for the job.

No flexible immigration routes for highly skilled employees or shortage professions exist in Argentina, Brazil or Colombia. Kazakhstan allows permanent residence under a simplified procedure for a list of 51 in-demand professions. In Chile, foreign specialist technicians are counted as Chilean employees for the purposes of calculating the 85% threshold. India has routes for highly skilled employees but no list of shortage professions.

PROCESSING TIMES FOR WORK AND RESIDENCE PERMITS

Aside from the legal conditions for obtaining work and residence permits, employers must also consider processing times before foreign employees can obtain the right to work and to reside in the country. Within the surveyed countries in the EU, processing times vary between three weeks and six months, with the variations depending on the country and type of permit. In Sweden, the procedure can take up to 16 months but is reduced to 30 days for highly qualified employees.

Most EU countries do not provide a fast-track procedure, but in Ireland part of the process may be faster if the employer obtains 'trusted partnership' status with the Department of Enterprise, Trade and Employment. In Denmark, a fast-track procedure is available for employers that are certified by the Danish Agency for International Recruitment and Integration; such that when applying for a residence permit under one of the fast-track schemes, it will generally be possible to obtain a quick job start permit within one to two weeks. In Finland a fast-track procedure is available for those who come to work as a specialist or start-up entrepreneur and those with an EU blue card or ICT permit. In those cases, the permit can be obtained in two weeks.

In Switzerland, obtaining a work and residence permit takes one to three months depending on the type of permit and the Canton concerned. In the UK, it takes six to ten weeks depending on whether the employee applies from abroad or within the country. However, some expedited processing options are available in the UK.

In Turkey, the process takes four to six weeks, in sharp contrast to Ukraine, where it takes just seven business days to obtain a work permit and 15 business days for residence permit. In Argentina, a company registered at the National Immigration Registry can apply for service that allows for processing within three to five working days.

In Brazil, by contrast, processing takes 30 to 95 days; in Colombia 30-45 days; and in Chile six to eight months on average. In India, the average processing time for an employment visa is between two and four weeks.

> Companies wanting to attract and retain foreign employees should also examine the possibilities for family members to join.

GOVERNMENT FEES FOR WORK AND RESIDENCE PERMITS

In terms of the fees payable to the various states to obtain work permits for foreign nationals, the UK is by far the most expensive country amongst those surveyed, with a total in fees of up to GBP 11,384 for five years' permission under the main work route (with some applicants potentially eligible for discounts).

In other countries, fees are much lower. Below EUR 500, we have, for example, Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Italy, Lithuania, Luxembourg, Slovakia, Slovenia, Sweden, India, Argentina, Brazil and Colombia. For around EUR 1,000, we have Denmark, Finland, Ireland and Ukraine. In Chile the fee depends on nationality, with fees ranging from no charge for Spanish nationals to USD 2,890 for Australian nationals.

RELOCATION OF FAMILY MEMBERS

An element that is often stressful for foreign employees is the relocation of family members. Companies wanting to attract and retain foreign employees should also look at the options for family members to join and whether they are allowed to work once there.

However, in the countries we surveyed, few offer automatic access to the labour market for those joining a foreign employee based on family reunification. Countries that allow those with family reunification status to work for any employer without the need for a separate work permit are: Argentina, Belgium, Brazil, Chile, Finland and Luxembourg.

In Denmark, a separate work permit is required for family members to work for the same employer as the main foreign employee. In Sweden, foreign family members may be allowed to work if the main foreign employee intends to work in Sweden for more than six months. In the UK, family members with family reunification status are generally allowed to work, although there are some exceptions. In Ireland, employment permit holders must complete 12 months' employment before they can sponsor family members for family reunification.

In most of the other countries we surveyed, family members of a foreign need a separate work permit to be allowed to work in the country. This is the case in Bulgaria, Croatia (although exceptions exist), Greece, Hungary, Italy, Lithuania, Romania, Slovenia, Turkey, Ukraine, Kazakhstan, India and Colombia. In Switzerland, spouses and children under the age of 21 of EU/EFTA nationals are entitled to work regardless of their own nationality. Some family members of non-EU/EFTA nationals are, under certain conditions, also allowed to work. In Slovakia, family members must apply for a work permit during the first nine months of the foreign employee's arrival.

WORKING FROM ABROAD

Another way to obtain access to diverse talent and a broader perspective is to create a virtual organisation and hire 'satellite employees' who telework remotely from their country of residence. As the employee is already living in the country where they perform their work, there are most likely no immigration issues and generally employees already have a right to work there.

Yet, in such cases, employers will need to look into certain other issues, including whether it is possible to employ an employee without any legal presence in the country, whether registration or notification is required, and which local employment terms and conditions and health & safety requirements apply. The employer will also need to check applicable taxes and social security contributions. Questions around the potential existence of a permanent establishment (which involves tax consequences for the employer) should also be examined.

Employees in this post-Covid world also tend to have greater expectations to be allowed to work for some of their time from abroad, be it following a vacation ('workcation') or for some other personal reason. This raises the question of whether the employee has a right to work in that country. Since the pandemic, many countries have jumped on this trend and introduced a 'digital nomad' visa, and a few others are currently working on one. This is the case, for example, in Argentina, Brazil, Colombia, Croatia, the Czech Republic, Greece, Hungary, Italy, Portugal, Romania, Spain and Turkey. In most of these countries, conditions such as minimum salary requirements, limiting work only to activities for foreign companies, and/or maximum time periods often apply. Other countries such as Belgium, Bulgaria, Chile, Denmark, Finland, India Ireland, Lithuania, Luxembourg, Slovakia, Sweden, Switzerland, the UK and Ukraine do not yet have a digital nomad visa. Meanwhile, Kazakhstan and Slovenia are working on one.

CONCLUSION

Engaging a diverse workforce is enriching and can also be cost-effective, but there is no shortcut to dealing with immigration issues and companies should think carefully about their strategy to ensure compliance with the law when hiring foreign employees.

7 | The role of gender parity

Gender equality is recognised not only as a fundamental human right but also as a cornerstone for building a peaceful and prosperous world. It is essential for sustainability, plays a crucial role in economic development, and can help alleviate labour market tightness. Closing gender employment gaps could boost global long-term GDP per capita by nearly 20%.[28]

Despite its importance, however, many countries continue to grapple with achieving gender equality. The Global Gender Pay Gap Report 2024[29] from the World Economic Forum highlights that at the current pace, it could take an average of another 134 years to achieve global gender parity.

Some countries, such as Iceland, Finland and Norway, have made significant strides, reducing their gender pay gap by over 85%. However, progress varies widely across regions. Without further action, Latin America and the Caribbean may not see full gender parity until 2081, with Europe following in 2097. Sub-Saharan Africa and North America are expected to reach these milestones in 2125 and 2131, respectively. Regions such as East Asia, the Middle East, Northern Africa, and Southern and Central Asia lag far behind, with timelines stretching well into the 22nd century.

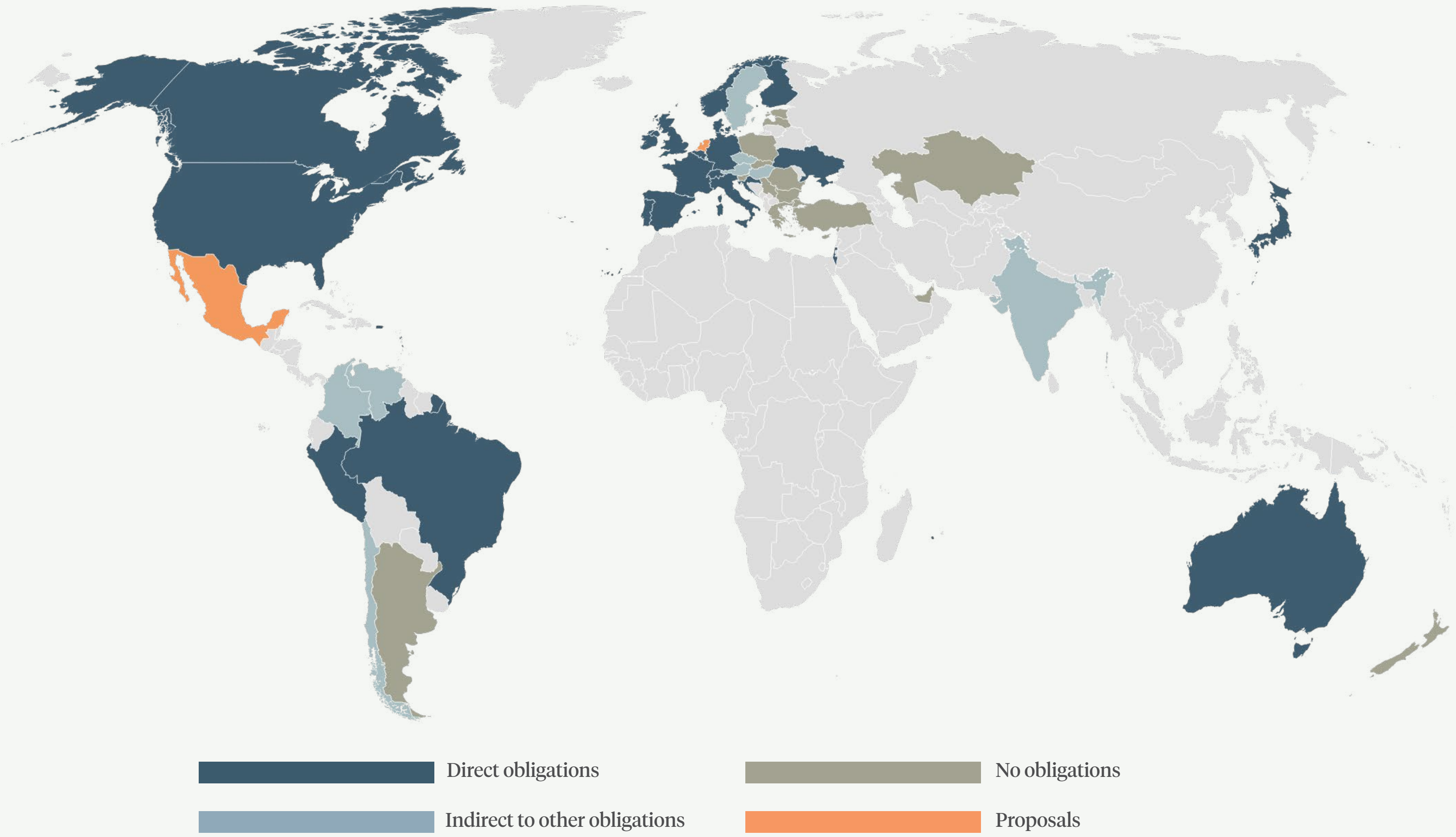
While women account for 42% of the global workforce, they hold only 31.7% of senior positions. The wage gap continues, with women earning roughly 77 cents for every dollar earned by men. This enduring gap represents a significant economic loss that could be mitigated by addressing these inequalities. The International Monetary Fund estimates that narrowing the gender gap in labour markets could increase GDP in emerging and developing economies by nearly 8%. Fully closing these gaps could increase GDP in those countries by an impressive 23%. Advanced economies could also benefit. For instance, in the EU, achieving gender equality could increase GDP per capita by between 6.1% and 9.6% by 2050, adding between EUR 1.95 trillion and EUR 3.15 trillion in total to the economy.

Most importantly, in countries where labour markets are tight, encouraging greater female participation could help alleviate market pressure. Enhancing the participation of women in the workforce addresses several key issues simultaneously: it mitigates the impact of labour shortages, diversifies the talent pool and promotes a more inclusive economic growth model.

In many developed economies, sectors such as technology and engineering tend to struggle with insufficient skilled labour. Women, historically underrepresented in these areas, represent a significant untapped resource. By creating policies that encourage women to enter and remain in these fields, companies can address critical shortages while promoting gender equality.

Recent decades have seen continuous legislative and policy efforts to promote gender parity. A notable trend is the push for pay transparency, with governments worldwide adopting measures to reduce pay gaps.

Ius Laboris map on gender pay reporting requirements



LEGISLATIVE TRENDS AND GLOBAL CONSENSUS?

The idea of 'pay transparency' encompasses a range of different policies, from simply publishing pay ranges in job adverts, to calculating and publicly reporting pay gaps. It is this last approach that has found increased traction recent years.

In 1991, Italy introduced a reporting obligation for large companies concerning male and female employees' working conditions and salary. But it was only in 2013 that the trend really began when Denmark introduced mandatory reporting on gender pay disparities for large companies, with the UK[30] following suit in 2017. Several other countries, including France, Spain, Italy[31] and Ireland,[32] have since introduced similar reporting requirements. And in May 2023, the EU issued its Pay Transparency Directive,[33] which requires all Member States to implement gender pay gap reporting obligations and various other mechanisms to reduce the gender inequality.

Beyond Europe, more countries are joining this movement. In Australia, over 5,000 large employers have recently had their gender pay gaps published,[34] and in Brazil, new legislation will oblige companies with more than 100 employees to report salary differences[35] between men and women in management and leadership positions. Japan[36] implemented gender pay gap reporting in 2022. Twenty-one out of 38 OECD countries now have some sort of gender pay gap reporting regime.[37]

Tom Heys

Legal analyst
Ius Laboris UK

"The gender pay gap represents not just a moral quandary, but an inefficient and untenable utilisation of human capital."

THE DEVIL IS IN THE DETAIL

At its most basic level, pay reporting involves calculating statistics about men and women within a workforce and publishing them. However, there is a high degree of variation between regimes, making comparison difficult.

We have set out below the questions that any policymaker must consider when devising a gender pay gap reporting regime. The aim is to motivate employers to take steps to increase gender diversity in their workplace, without imposing too big a burden.

- **What period is being analysed?** If a whole year of data is used, and variable remuneration such as commission is included in the calculations, gaps will vary from year to year as a result of individual performance and macroeconomic conditions. Yet merely taking a snapshot might miss important seasonal effects. Employers whose headcount varies over the course of a year might be reporting for only a fraction of their 'true' workforce, depending on the snapshot.
- **What is being analysed?** Small changes to the definitions of 'pay' will affect whether figures are comparable. For example, overtime paid at a premium could be a significant part of an employee's total compensation; the inclusion of overtime would therefore affect the statistics. Additionally, if salary sacrifice[38] or flexible benefits[39] are included, it means statistics could be biased by personal choice rather than entitlement alone.
- **Who has to report?** Typically, reporting obligations apply to individual legal entities, but when complex group structures divide up a workforce, how many entities will meet the headcount threshold?
- **What statistics should be reported?** The headline statistic is always the gender pay gap. But in fact there can be a range of additional statistics relating to bonus gaps, proportions of men and women that receive benefits and proportions within pay quartiles.
- **What else should be reported?** In Ireland, employers must explain the causes of their gaps and the measures they are taking to reduce these. They are not, however, required to actually take measures: an employer can comply with the legislation by simply stating "we are not taking any measures." A requirement to explain is not uncommon, but requirements to proactively reduce gaps are much rarer.

- **How should pay reporting be enforced?** Enforcement trends to be very light touch, with those employers that fail to report being 'named and shamed' in the media rather than hit with a sanction.

Is pay gap reporting effective as a policy?

Gender pay gap reporting was born from the idea that 'sunlight is the best disinfectant.' Rather than legislative micromanagement, employers are left to decide for themselves what specific measures to take.

But gender pay gaps change slowly. It will take time to know whether this type of nudge is an effective policy. Although there are plenty of examples of employers who have been nudged into action, at the macro level, evidence of effectiveness of pay gap reporting is still developing.

Using UK data, researchers at the London School of Economics found that gender pay gap reporting led to a 1.6% reduction in pay gaps.[40] Similar conclusions have been made about the impact of legislation in Denmark.[41] However, the research found that reductions in gaps came from a reduction in male pay rather than increased pay for women. The primary motivation for pay reporting – the advancement of women in the labour market – was therefore not achieved.

There is also evidence against pay transparency: one study found that pay transparency could reduce pay by 2%, as it reduces the bargaining position of workers.[42] While this data came from a theoretical study of negotiation dynamics rather than an empirical study of outcomes, its conclusions shouldn't be ignored.

These studies indicate that pay transparency is currently far from a proven policy. By creating new pay reporting regimes, legislators around the world are therefore taking leaps of faith. Although the scale of potential economic, social and political benefits is significant, only time will tell whether pay reporting can achieve these.

Takeaways

1

As the workforce ages and birthrates fall, demographics are set to undergo major changes in the coming decades across the world. This will put increased pressure on the labour market, making it harder to find talent, let alone attract and retain it.

2

How governments can manage to keep older workers in the workplace, whilst providing adequate opportunities for the younger generation to find ways into it, is a major challenge across the globe. A potentially even bigger one is to work out just how the younger generations will make enough to support the ever-growing older population. It will be vital for employers to keep a watch over these trends and the governmental initiatives they engender in the countries in which they operate.

3

Employees need to stay up to date about the priorities of the next generation, without losing focus on business needs. High turnover of staff is becoming a serious issue in terms of HR strategy, owing to the demographic crisis and a highly competitive labour market. Therefore, focussing on ESG, pay transparency and gender equality – to name but some of the features that are highly prized by Gen Z - will be crucial, and will give those employers that do so a competitive edge.

4

Engaging a diverse workforce is enriching and desirable in many ways, but it is important to look carefully at immigration routes and strategies to ensure legal compliance in a complex field of regulation when hiring foreign employees.

5

Gender equality is essential for ethical reasons, but it can also be a partial way to ease the pressure of tight labour markets, particularly in countries where women are currently not yet a fully-tapped labour resource.

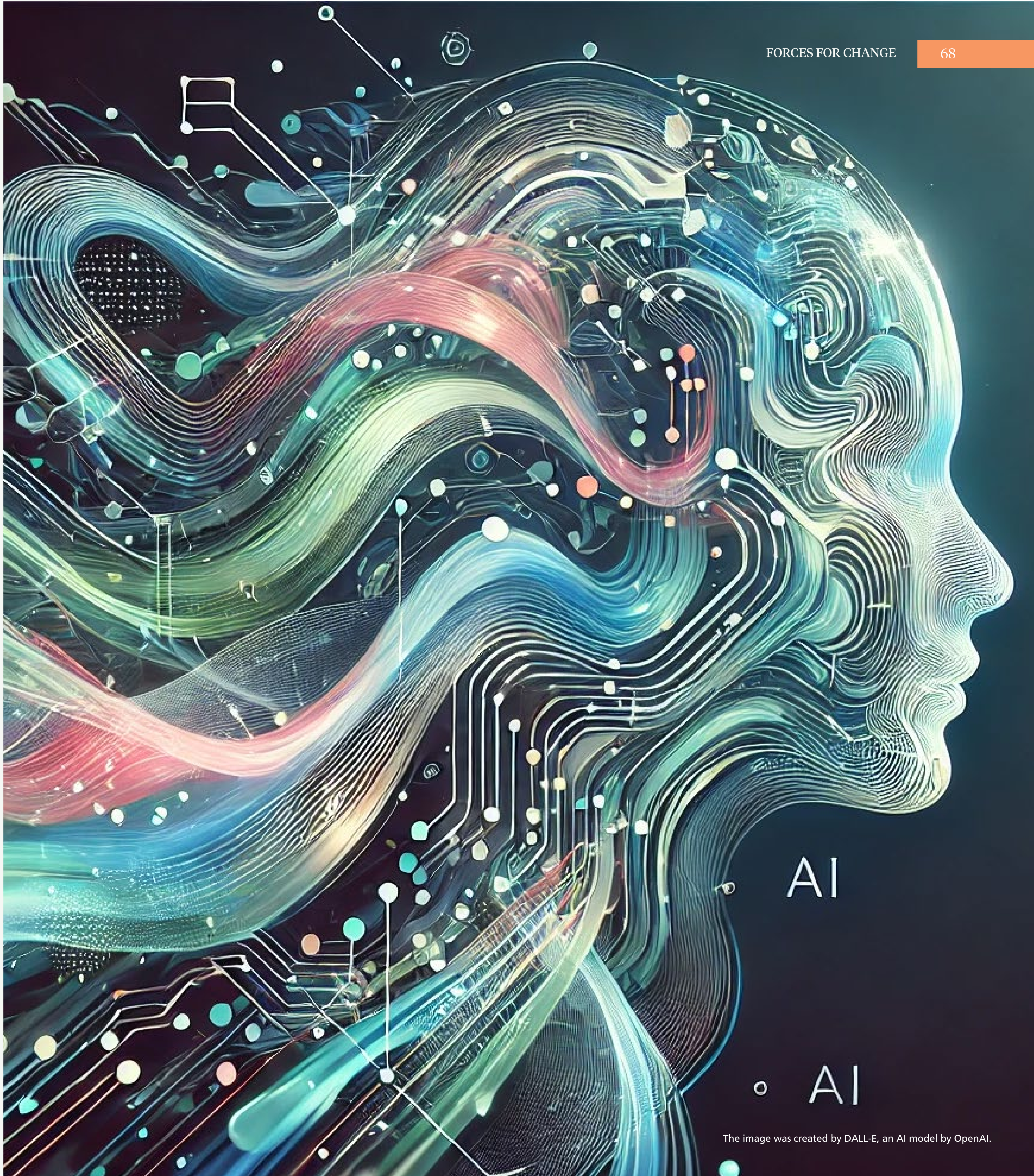
Technologies in progress

8 | AI is here to stay

The future of the workforce depends on many factors, including those derived from demographic shifts and generational expectations. Among all the factors, however, technological advancements hold a particular place, as they have the power to change, not only the way we work, but also the way we live.

While technology has progressed at an exceptional pace over the last several decades, continually introducing new innovations, the arrival of OpenAI's ChatGPT in 2022 caught many - including policymakers - by surprise.[43] The international community was divided, with some welcoming the progress for its potential benefits, while others pointing to the risks.[44] One thing, however, was common for everyone. The breakthrough sparked widespread curiosity about what it might all mean and what might come next.

Predicting future technological trends with certainty is challenging, as it depends on numerous factors and circumstances that can change over time. However, in a simplified scenario, the future depends to some extent on the choices we make today. In other words, where we focus our attention, what we work on and where we invest. For example, looking back, we can see that AI was a focus of attention long before ChatGPT was officially introduced to the wider public. Compared to 2010 September, Google searches for 'Artificial intelligence' and 'AI' had increased by almost 4 times by 2022 September, indicating growing public interest. News platforms mirrored this trend, as the number of articles and reports on AI increased fivefold over the same period. Academic publications on AI



The image was created by DALL-E, an AI model by OpenAI.

tripled, showing significant focus on AI research and development. Finally, since 2016, AI investment has increased more than six times.[45] All these figures suggest that there was reason to expect innovation to take place in this field.

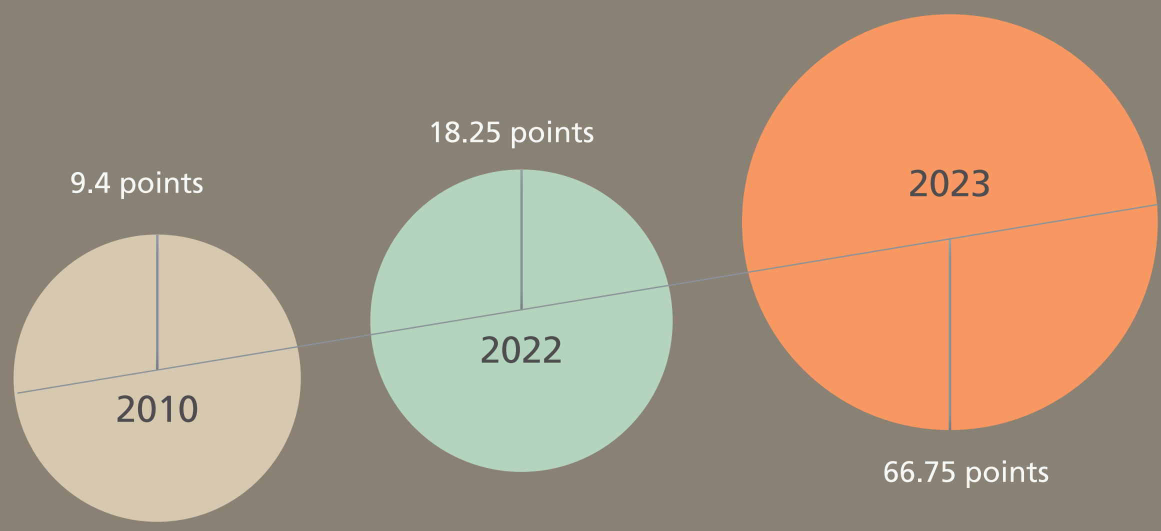
Predictions suggest that interest in AI continues to grow. Google searches are increasing, news platforms consistently report on AI and academic publications on AI and related topics are steadily rising. As of 2024, the AI market, including the development, production and implementation of AI technologies and services, was valued at over USD 184 billion. Projections suggest this growth will continue, with the market expected to surpass USD 826 billion by 2030.[46] These trends are clear indicators that new advancements and technological solutions should be expected in the field in the coming decades. But what does all this mean for the employment market in practical terms?

In simple terms, AI is a technology that allows machines to learn, think and make decisions like humans, performing tasks that typically require human intelligence. These tasks include learning, reasoning, problem-solving, understanding natural language and recognising the environment. Due to its ability to mimic human intelligence, AI will impact almost all aspects of our lives, including the way we work. Many routine and repetitive jobs, such as those in manufacturing, data entry or basic customer service, will be automated by AI. According to 'The Future of Jobs Report 2023' from the World Economic Forum (WEF),[47] 42% of business tasks will be automated by 2027. However, whilst AI is expected to eliminate some jobs, it will also create new opportunities. Nearly half the companies surveyed by WEF (around 49%) expect that the adoption of AI will create new jobs. Roles in AI development, data analysis, AI maintenance and oversight will become more prominent. Jobs that require creativity, critical thinking and complex decision-making will also see increased demand, as these are still areas where humans excel compared to machines.

However, AI is not only here to displace our jobs or create new ones. It is here to complement our daily work routines, increase our productivity by releasing us from repetitive tasks and open space for us to engage in more creative or complex work. According to the WEF's 'The Future of Jobs Report', AI is expected to be adopted by nearly 75% of surveyed companies by 2027. Widespread implementation of AI will impact various dimensions of our lives, and the employment life cycle is no exception.

Just in relation to recruitment, it can streamline hiring by screening résumés, conducting initial interviews and helping with performance tracking and identifying training needs. Beyond that, it can help with the management of work processes; employee progression and performance management;

Google Trends: Interest in 'Artificial Intelligence' and 'AI'
Average points over time



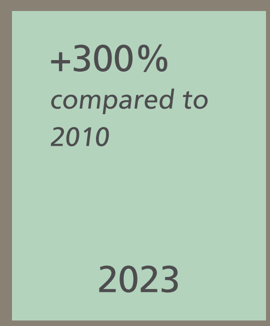
Source: Google trends

The numbers in this table represent the level of interest in the topic relative to the highest value. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular.

AI-related articles and reports on news platforms

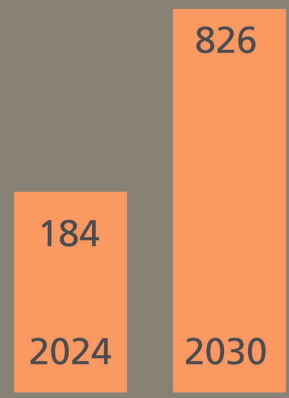
Source: Ius Laboris, based on analysis of five different news platforms

Academic publications on AI



Source: Ius Laboris, based on analysis of data from Google Scholar.

AI market value
US dollars, billion



Source: Statista

dismissal decision; and selection for individual and collective redundancies – and it will do so either by performing tasks that used to be done by us or simply replacing them with more efficient processes.

All this has been aided by the recent rapid development of certain aspects of AI, such as Natural Language Processing (NLP) and Machine Learning (ML). NLP is a subset of AI that focuses on the interaction between computers and humans through natural language. It enables computers and digital devices to recognise, understand and generate human language, both text and speech. NLP is used in applications such as language translation, sentiment analysis, chatbots and voice assistants. ML involves algorithms that learn from data by identifying patterns and making predictions based on statistical associations. These algorithms can perform tasks such as generating summaries, performing translations, answering questions and classifying texts. In other words, ML allows computers to learn from data and make predictions or decisions without being explicitly programmed to perform the task in question.

Advances in NLP and ML promise sophisticated algorithms that can perform complex analyses and predictions with a high level of accuracy. This will impact the employment life cycle by offering predictive analytics to forecast workforce needs, optimise talent management and enhance decision-

Burkard Göpfert

Partner
Ius Laboris Germany

"Generative AI technology is playing an increasingly important role in employment matters - and unions and regulators are starting to call for greater oversight of that role."

making processes across various HR functions. Businesses that want to stay ahead will need to keep their hand on the pulse of these trends if they want to stay ahead.

UNION AND GOVERNMENT ACTIVITY TO REGULATE THE USE OF AI IN EMPLOYMENT

AI technologies are not risk-free. They raise questions related to data privacy, algorithmic bias and the potential for increased workplace surveillance. They also raise the issue of accountability when making decisions that affect people's lives, such as hiring or firing employees. These risks necessitate the development of robust ethical guidelines and regulatory frameworks - and this has already sparked policy debates across governments.

For example, Kazakhstan is at the initial stage of introducing regulation of artificial intelligence. In an April 2024 Government Resolution, the country established the Committee for Artificial Intelligence and Development of Innovations with responsibility for implementing state AI policies, creating legal regulations and coordinating AI-related activities across various sectors. Kazakhstan has also developed a plan for Artificial Intelligence development for 2024-2029. In the short term, the plan is to create an AI ecosystem; in the medium term, to maintain a favourable climate for AI economic development; and in the long term, to prepare for challenges related to the invention and scaling of universal AI.

According to research conducted in Brazil by the consulting firms Great People and GPTW, there is a recent correlation between an increase in mass dismissals and increases of investment in generative AI. However, to what extent this is a matter of causation rather than correlation remains uncertain, as there are additional economic factors affecting employment and layoffs. The union representing artists and dubbing actors has issued an official note expressing its disapproval of the indiscriminate use of AI, which it blames for copyright infringements and threats to the jobs of artists and technicians. And in May 2024, the National Council of Justice published a study about the use of generative AI that will serve as guidance for different branches of the Federal, Labour and State Courts. Meanwhile, in these courts, as yet, there have been only a few incidents raising concerns about decisions made using AI, mainly involving evident mistakes.

In Poland, a draft amendment to the Trade Union Act published recently aims to ensure transparency in AI decision-making processes. The amendment would require employers (at the request of the applicable trade union) to provide detailed information about the parameters, rules and instructions for AI systems that influence decisions affecting working conditions, pay, employment access and retention.

The UK's Trades Union Congress (TUC) has similarly proposed a draft bill

The image was created by DALL-E, an AI model by OpenAI.

regulating AI in the workplace. The bill seeks to grant workers and trade unions new rights concerning AI use. It includes provisions for mandatory consultations with unions on implementing high-risk AI decision-making systems and the right for unions to access data about their members that is used in AI decision-making. Although the TUC's AI Bill is currently a proposal with no legal effect, it could influence the future direction of AI regulation under the new Labour Government.

9 | Beyond AI: other trends to follow

It's not just AI that's going to impact our future. Other technologies are also advancing at an exceptional pace and are promising groundbreaking developments. One such technology is the Internet of Things (IoT).

The IoT consists of networks of physical objects with sensors, software, and connectivity devices inserted into them. These 'smart' appliances collect and exchange data, communicating with each other and central systems over the internet. When combined with Edge Computing, by which the processing of data takes place close to its source, instead of in centralised data-processing warehouses, IoT technologies become even more reliable, offering better automation and remote control across applications.

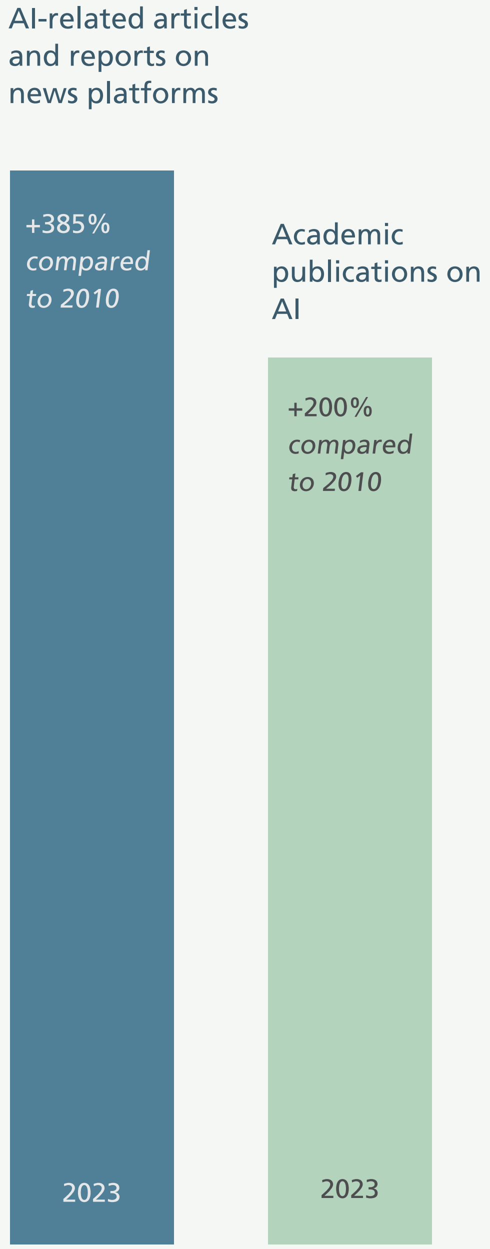
Public interest in IoT has been substantial for quite some time. The number of Google searches for 'Internet of Things' and 'IoT' was, on average, at 73 points in 2010 for each, and increased to 83 and 86 points, on average, in 2023, respectively. Articles and reports on IoT have increased almost four times over the same period and academic publications on IoT have doubled. According to Statista, the number of IoT-connected devices is expected to reach 75.44 billion by 2025, up from 30.73 billion in 2020. The global IoT market revenue is predicted to reach USD 947.50 billion by 2024 and grow at an annual rate of 10.49% (compound annual growth rate, 2024-2029), resulting in a market volume of USD 1,560 billion by 2029.[48]

These steep upward trends suggest that innovation in the field of IoT is set to continue - but how will IoT technologies impact our work lives? IoT has the capacity to create smart workplaces that can optimise our work environments. Employers using these technologies will be able to gather data so as to understand work patterns and employee behaviours and this in turn, will help them make adjustments. For instance, they could adjust the temperature, lighting and noise levels in the workspace and track

how resources are being used. In theory, this should be beneficial for employees, but it comes at the cost of a much greater level of surveillance than has hitherto been used and this raises important ethical, legal and social concerns. There is a fine line between boosting productivity and crossing into excessive surveillance, breaching employees' privacy.

While IoT allows us to create 'smart' offices, technologies such as Augmented Reality (AR) and Virtual Reality (VR) allow people to experience the world in a different way. AR adds digital elements to the real world around us. For example, during job interviews, AR can enable candidates to take a virtual tour of the office, see where they might work and even meet digital representations of their potential colleagues. In meetings, AR can display data in 3D, making it easier for everyone to visualise complex information. Teams can interact with these visual aids in real-time and from remote locations.

By contrast, VR is about immersing yourself in a virtual world. You are transported into a new environment that can look the surface of Mars, a fantasy game world, or, more prosaically, a virtual office. VR can bring remote teams together for virtual team-building exercises, where they can collaborate on projects, play team-building games, or even attend virtual company retreats. With VR, remote workers can join virtual office spaces and interact with colleagues as if they were physically present. Even chats by the coffee machine can be simulated.



Source: Ius Laboris, based on analysis of five different news platforms

Source: Ius Laboris, based on analysis of data from Google Scholar.

The Metaverse is the term given to virtual worlds created by a host of different companies, and businesses can purchase space within them to set up shop (open to the public) or to accommodate their workers in office-like spaces. The internet was the first step, but it is essentially a 2-dimensional experience, whereas on the Metaverse, you can enter, move around and interact with objects and other people in a way that is much more akin to our 3-dimensional world.

In terms of public interest in AR and VR, in 2010, the average number of Google searches for 'Augmented Reality' was 86 points, while 'Virtual Reality' had an average of 80. By 2023, these numbers had slightly decreased to 63 and 79, respectively. Academic publications have remained relatively stable throughout the period. By contrast, the number of articles and reports on 'Augmented Reality' and 'Virtual Reality' has doubled during this time, According to Statista, the AR and VR market is expected to generate revenue of USD 40.4 billion in 2024 and to grow at an annual rate of 8.97% (compound annual growth rate, 2024-2029), reaching an estimated market volume of USD 62.0 billion by 2029.[49]

The growth of AR and VR technologies is likely to have a significant impact on the employment market, particularly given the popularity, post-Covid, of remote working, which they facilitate. Of course, it is not known exactly when we will all start using, for instance, the metaverse for work. In the past, it is fair to say that its capabilities have been somewhat overplayed and its performance has never quite reached the heights expected. But this is probably just a question of time. These technologies no doubt will transform how remote workers operate and interact with their colleagues and that change will take place over the coming years – which means, inevitably, that employers will need to be prepared. The advent of these new ways of working will increase the need for re-skilling and upskilling of workers and businesses will need to invest in training and development to ensure their workforce can fully leverage the new wave of IT tools that are coming our way.

AI-related articles and reports on news platforms

Source: Ius Laboris, based on analysis of five different news platforms

10 | Remote working in the technological age

The opportunity for employees to work from a location of their choice has become the new normal. Remote working offers numerous advantages for employees, including increased flexibility, a better work-life balance, and increased employee satisfaction. This in turn can benefit employers through higher productivity and better employee motivation. Employers also benefit from reduced costs for office space and other operating costs. And remote working is popular with workers: according to Statista, the percentage of permanent remote workers (excluding temporary remote working during lockdowns or other restrictive measures) has risen sharply, from 10%, 13% and 20% in 2019, 2020 and 2021, respectively, to 28% by 2023.

Sean Illing

Senior Associate
Ius Laboris UK

"Wether or not employers are keen to embrace the new reality of remote work, they will nevertheless need to recognise the changing face of work, and ensure that they are ready to take on the challenges it presents."

However, not all that glitters is gold. Employee isolation, difficulties in teamwork, and the loss of corporate culture are potential disadvantages. A lack of informal dialogue and spontaneous interactions can also arguably affect productivity and creativity in the long term.

On a more general note, remote working may involve a wide variety of risks connected to individual employment rights, health & safety and data protection.

INDIVIDUAL EMPLOYMENT RIGHTS: LEGAL ASPECTS AND CHALLENGES

In many countries, there is no legal entitlement to remote working. Germany is one example. The German legal framework around remote working depends mainly on individual agreements (i.e. supplementary employment agreements) and works agreements concluded with the employer's works council.

The employer's general right to issue instructions allows it to determine the place of work as long as no specific agreements restrict this right. Employers can revoke remote working at their reasonable discretion (although in practice, exceptions to this general rule are often included in individual agreements).

Agreements on remote working must be carefully scrutinised to ensure than any provision for termination or adjustment complies with the law. This can be done by means of time limits, cancellation clauses and notices of termination, among other mechanisms. After an agreement is executed, a mutually agreed change to the terms is possible, but can often only be achieved through incentives and higher pay.

In employers with a works council, co-determination rights must be observed, particularly when drafting works agreements on remote working. The renegotiation of those agreements can also restrict the employer's room to manoeuvre.

Practices and procedures to effectively face these risks and challenges may include:

- Clear rules and agreements (individual or collective) on remote work regulating aspects such as working hours, availability and who will bear the costs for home office equipment.
- Transparent communication informing employees about any reasons for and benefits of working from the office. The employer may also wish to take measures to incentivise work in the office (e.g. by providing free parking spaces or covering public transport costs).
- Flexibility and customised solutions that meet the needs of employees and the operational requirements of the employer (e.g. using hybrid models

alternating between remote working and office presence). At present, solutions such as three/two days of office work and two/three days of remote working per week seem to be gaining ground in many cases.

- Support in setting up a home office and training on topics such as time management and digital collaboration.
- Promoting teamwork by organising regular team events or joint activities.

HEALTH AND SAFETY: FOCUS ON THE RIGHT TO DISCONNECT

According to a recent analysis by Eurofunds, remote working and flexibility are generally linked to an increase in working hours. Over 80% of the employees interviewed reported receiving work-related communications outside their contractual working hours during a typical working week and almost 90% of those workers responded to these communications, with 25% replying to all calls and messages received outside their normal working hours.

It is clear that the issue is not only a matter of the number of hours worked; rather, it is the fact that employees working remotely tend to not to be able to set clear boundaries between working time and free time. This not only has a negative effect on work-life balance, but may also impact employees' wellbeing and health, causing problems such as burnout and emotional breakdown.

The need to guarantee employees the right to have a real and actual rest, and thus prevent such issues, prompted the European Parliament's January 2021 resolution calling on the European Commission to bring forward a regulation on the right to disconnect.

As of today, no European directive has been issued, but more and more countries (not just in Europe, but across the world) are adopting specific regulations on the right to disconnect. Even where no regulation exists, an increasing number of employers are choosing to implement their own internal policies.

REMOTE WORKING AND DATA PROTECTION: MORE DATA, MORE RISK

From a data protection point of view, the three main challenges involved in remote work are:

- How to monitor employees' performance remotely and ensure performance effectiveness;
- How to deal with a higher volume of data; and

- How to ensure the appropriate data security measures are in place.

Allowing employees to work from different places would be impossible without IT tools (e.g. direct messaging chats, videoconference systems and connected calendars). These tools can include functionalities that allow employers to monitor employee performance in a way that is even more effective and extensive than the traditional 'face-to-face' means. Employers are able to employ specific performance management software to monitor factors such as presence, keystrokes and mouse clicks.

While this sort of monitoring may sound attractive to employers, it comes with risks. One recent example is the fine issued against Amazon by the data protection authorities in France for excessive monitoring of its employees. Remote working has made it easier for employers to monitor employee performance monitoring using software, but any such process must be carefully considered in line with data privacy laws.

Moreover, since remote work largely involves communication online, rather than face to face, more data is generated. This can cause headaches for employers faced with data subject access requests from employees. Sensitive conversations that would have been done in person are now in writing and easily searchable. Thus, employers now need to contend with vast volumes of communications between employees, which means that they also need to consider retention periods for this data and how best to deal with it in response to requests.

Remote working inevitably means that employers have less control over the physical location of their data and over how IT equipment is treated. Data laws commonly require employers to effectively evaluate security risks and introduce appropriate measures to ensure the safety of data processing. This means implementing IT tools in a way that respects data protection principles and rights from the beginning (so-called privacy by design) and throughout the employment relationship. It is also crucial to deliver to employees complete and clear policies and privacy notices, ensuring that they understand the steps they need to take to protect data (e.g. strong passwords and encryption) and what they need to do in the event of a data breach.

Takeaways

1

The past decade has seen incredible technological progress, with many referring to the age we live in now as the Fourth Technological Revolution. Technologies such as AI, IoT, AR, and VR are advancing quickly and businesses will need to stay on top of these developments to remain ahead of the curve.

2

Using AI in workplaces raises concerns about potential job losses, but it also brings new opportunities. It is likely that large numbers of routine and repetitive jobs will be automated by AI in the near future, but new kinds of jobs will also arise: roles, for instance, in AI development, data analysis, AI maintenance and oversight.

3

Recent technological advances are having a big impact on remote working, offering new opportunities but also bringing challenges, including more worker isolation, potential loss of corporate culture and huge challenges around monitoring, data privacy and health & safety. Whether employers are excited about the shift to remote work or not, they will need to make sure the changes they make take account of the personal factors involved.

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Central team

EXECUTIVE DIRECTOR
Sam Everatt
sam.everatt@iuslaboris.com

HEAD OF CONTENT
Deborah Ishihara
deborah.ishihara@iuslaboris.com

SENIOR RESEARCHER
Susanna Gevorgyan
susanna.gevorgyan@iuslaboris.com

Policy group

ARGENTINA
Ignacio Funes de Rioja

CANADA
Sonia Regenboden

GERMANY
Burkard Göpfert

ISRAEL
Liat Shaked-Katz

SPAIN
Román Gil

UNITED KINGDOM
James Davies

Contributors

ARGENTINA
Pablo Buracco

BELGIUM
Jan Van Gysegem

BELGIUM
Sophie Maes

BELGIUM
Sylvie Dumortier

DENMARK
Sara Baldus

GERMANY
Alexander Ulrich

GREECE
Katerina Dipla

IRELAND
Sinead Likely

ITALY
Aldo Palumbo

ITALY
Diego Paciello

ITALY
Emanuela Nespoli

ITALY
Laura Mancini

ITALY
Mauro Gallo

ITALY
Stefano De Luca Tamajo

MEXICO
Gabriela Garcia

NETHERLANDS
Corine Hoekstra

UNITED KINGDOM
Alexander Miller

UNITED KINGDOM
Sean Illing

UNITED KINGDOM
Tom Hayes

UNITED KINGDOM
Michaela Berry

UNITED KINGDOM
Katie Whitford

Contacts

ARGENTINA
Rodrigo Funes de Rioja
rodrigo.funes@bruchoufunes.com

AUSTRALIA
Nick Le Mare
nick.lemare@corrs.com.au

AUSTRIA
Gerald Burgstaller
gerald.burgstaller@bpr.at

BAHRAIN
Samir Kantaria
s.kantaria@tamimi.com

BELGIUM
Chris Engels
chris.engels@claeysengels.be

BRAZIL
José Carlos Wahle
jose.wahle@veirano.com.br

BULGARIA
Borislav Boyanov
b.boyanov@boyanov.com

CANADA
Greg McGinnis
gmcginnis@mathewsdinsdale.com

CHILE
Enrique Munita
emunita@munitaabogados.cl

CHINA
Zheng Xie
zxie@fangdalaw.com

COLOMBIA
Catalina Santos
csantos@bu.com.co

CYPRUS
George Z. Georgiou
george@gzg.com.cy

CROATIA
Emir Bahtijarevic
b.boyanov@boyanov.com

CZECH REPUBLIC
Nataša Randlová
randlova@randls.com

DENMARK
Yvonne Frederiksen
yvonnefrederiksen@norrbomvinding.com

ESTONIA
Karina Paatsi
karina.paatsi@cobalt.legal

FINLAND
Seppo Havia
seppo.havia@dittmar.fi

FRANCE
Guillaume Bordier
gbordier@capstan.fr

GERMANY
Alexander Ulrich
alexander.ulrich@kliemt.de

GREECE
Konstantinos Kremalis
kkremalis@kremalis.gr

HONG KONG
Catherine Leung
catherine.leung@lewissilkin.com

HUNGARY
Hedi Bozsonyik
hedi.bozsonyik@bozsonyikfodor.com

INDIA
Rohit Kochhar
rohit@kochhar.com

IRELAND
Siobhra Rush
siobhra.rush@lewissilkin.com

ISRAEL
Orly Gerbi
gerbi@hfn.co.il

ITALY
Valeria Morosini
valeria.morosini@toffolettodeluca.it

JAPAN
Kazutoshi Kakuyama
kazutoshi.kakuyama@amt-law.com

KAZAKHSTAN
Yulia Chumachenko
y.chumachenko@aequitas.kz

LATVIA
Toms Šulmanis
toms.sulmanis@cobalt.legal

LITHUANIA
Jovita Valatkaite
jovita.valatkaite@cobalt.legal

LUXEMBOURG
Guy Castegnaro
guy.castegnaro@castegnaro.lu

MALTA
Matthew Brincat
mbrincat@ganadoadvocates.com

MEXICO
Jorge De Presno
jorgedepresno@basham.com.mx

NETHERLANDS
Philip Nabben
p.nabben@bd-advocaten.nl

Corine Hoekstra
corine.hoekstra@bvza.nl

NEW ZEALAND
Peter Kiely
kiely@ktc.co.nz

NORWAY
Claude Lenth
cal@hjort.no

PERU
Luis Vinatea
lvinatea@vinateatoyama.com

POLAND
Katarzyna Dobkowska
katarzyna.dobkowska@raczkowski.eu

PORTUGAL
Inês Reis
ines.reis@pbbr.pt

ROMANIA
Roxana Abrasu
roxana.abrasu@nndkp.ro

SAUDI ARABIA
Mohsin Khan
mohsin.khan@tamimi.com

SERBIA
Milena Papac
milena.papac@karanovicpartners.com

SINGAPORE
Desmond Wee
desmond.wee@rajahtann.com

SLOVAKIA
Dusan Nitschneider
nitschneider@nitschneider.com

SLOVENIA
Darja Miklavcic
darja.miklavcic@selih.si

SOUTH KOREA
Chris Mandel
cmandel@yulchon.com

SPAIN
Román Gil
rga@sagardoy.com

SWEDEN
Jenny Hellberg
jenny.hellberg@elmzell.se

SWITZERLAND
Roberta Papa
roberta.papa@blesi-papa.ch

THAILAND
Piroon Saengpakdee
piroon.s@rajahtann.com

TURKEY
Batuhan Sahmay
batuhan.sahmay@bener.com

UKRAINE
Oksana Voynarovska
voynarovska@vkp.kiev.ua

UNITED ARAB EMIRATES
Samir Kantaria
s.kantaria@tamimi.com

UNITED KINGDOM
James Davies
james.davies@lewissilkin.com

Michaela Berry
michaela.berry@sackers.com

VENEZUELA
Victorino Márquez
vmarquez@dra.com.ve

www.iuslaboris.com

info@iuslaboris.com

/iuslaboris

Global HR Lawyers
Ius Laboris