General introduction: Yves BAROU

The first hypothesis that led us to this seminar is realizing that we are headed towards a new growth system with structural changes. This growth is durably slower, together with an inflation rate close to zero, characterized by the energy transition, the digital impact, a new step in globalization, the rise of a certain number of services, and has led to increased inequalities. We are forced to conclude that we are indeed in the wake of a new era, so we need to be aware and learn the lessons as it is fundamentally different from what we have known so far. In addition to macro-economic consequences, it will have an impact on businesses and HR practices.

In order to get discussions going during this seminar, I would like to put forth three topics:

1) <u>Disrupted managerial cycles, or the yearly recurrence prey to contradictions</u>

The – budget or fiscal – year has been established as the average reference period and, influenced by several initiatives, we have built the annual cycle with an interview in the beginning of the year to define goals, an interview in the middle of the year, one in the fall and one at the end of the year with an assessment, and an impact on pay. Businesses have established a link between the managerial improvement cycle and the consequence on wages. This cycle has become one of continuous improvement. Besides, another cycle has been added with variable pay or other action-related tools. In some countries, such as France, this cycle has become important for social bargaining. Therefore, this yearly circle gives rhythm to our activity. I often tend to say that an HR manager's calendar is like a gardener's: there is always something to do with every season. However, it seems that this annual framework is being questioned, for two reasons. The first is that our digital and instantaneous culture is conducive to faster managerial deadlines. Yet, some players find the yearly cycle too slow. The second reason is that the end of inflation has led to a decrease in nominal budgets for annual salary rotation, even in large businesses. In the end, we have nice, sophisticated procedures but we are stuck because of annual individual raises. Therefore, the end of inflation and slowing growth are putting the yearly cycle into question. The question is as follows: are we headed towards the end of this individual annual increase drug? I am using the word drug as people have got used to it and, if they don't get it, they don't feel good. Won't increases now rely on promotions?

2) <u>Professional evolution via breaks</u>

The current model is one where everyone is constantly evolving, via training or managerial cocking, and where people are recognized for their performance. However, this system has had a few problems because of mobility between professional families, which is more complicated than it was 20 years ago. Indeed, each family has become more specific and developed its own language, thus putting up barriers between professional families.

I believe several things are challenging the professional development system:

- a decrease in employment flows: retirement age is shifting and turnover is reducing because of unemployment and underemployment. Europe is inventing new forms of underemployment.
- an increase in the number of employees who want to move: currently, the average normative time spent at the same job has gone from 5 down to 3 years. People want to go faster, which means that there are fewer possibilities.
- a lot of new sectors are appearing: beforehand, changes occurred from one generation to the next. Today, they happen within a professional generation. For instance, a software engineer fresh out of college has 10 good years ahead of him/her. After that, they need to start worrying. Some trades get better with time whereas others can quickly become blunted.

The issue may no longer be professional development but truly career change. Here are two images to prove my point:

- the highway: it is really hard to change lanes while slowing down. Today, we need to implement changes but it is impossible as everything is slowing down.
- video games: shouldn't we consider careers as a video game with several lives? Maybe the concept of having several professional lives isn't settled enough yet.

In any case, I believe that professional development should be considered in terms of breaks.

3) <u>The end of sweet illusions</u>

We have lived through an era of continuous forward momentum (experience, income and so on), which everyone has enjoyed. In the past, someone hired at a lower level could catch up in just a few years. I believe this is changing. I have also noticed that the slowdown is taking place in a context of growing pay inequality. As Thomas Piketty has explained, the introduction of variable pay and stock options has widened pay hierarchy. He has also described a sort of divorce between labour and private income, reasoning that, as soon as capital productivity is higher than the growth rate, there is a mechanical effect. In addition to these two topics, we also need to take account of the growing dualism between some sectors (small and large businesses, exposed and protected sectors, industrial and service industries). The pay gap within the same country, or even within the same skill, is becoming important. Therefore, how could there be employment flow in such an unequal context? Yet, a company with reduced employment flows is a frozen society.

All I mean to say is that I believe we are entering a new era and we, as HR managers, should assess it to avoid going in the wrong direction.