

viewpoint

TRENDS IN THE GLOBAL WORKFORCE

OEMs consider global operations an integral part of their long-term strategies. But will the size and quality of regional labor forces be there to support their plans?

Analysis by Watson Wyatt International Consulting Group points to sometimes surprising trends. Steve Kueffner, international consultant, describes the highlights.

How do you define “global workforce”?

We define it to mean the worldwide group of people between the ages of 20 and 59. We used United Nations data to look at how the size of this group will change over the next 20 to 30 years in major regions of the world. What we found were significant changes ahead in this work population from one global region to another.

What is the trend in Europe?

Europe increased its working age population by almost 33%, to nearly 200 million, between 1950 and 2000. But then the workforce peaked, and it will continue to drop. By 2030, Europe's working age population will be about 165 million. The decline is due to a general worldwide phenomenon: As countries get richer, their birthrates drop significantly.

The European birthrate, for example, dropped from an average of about 2.1 per adult female in the 1950s to 1.4 in the 1960s and 1970s, and it has remained there since.

What about the U.S. workforce?

The historical data are similar. Between 1950 and 2000, the U.S. work population grew from about 90 million to 167 million, and birthrates declined to about 1.4.

But something happened in the U.S. that didn't happen in Europe. Our birthrate began to climb again to about 1.8. The result is that the working age population in the U.S. will continue to grow to about 197 million by 2020.

Why the difference in growth rates?

We believe it is a combination of birthrates and differences in immigration rates between North America and Europe. The known immigration population in the U.S. increased by about 11 million people between 1990 and 2000, according to U.S. census data. That is helping our working age population, and trend data suggest immigrant populations will reproduce faster than others.

Some European countries have experienced growing immigration rates too, but not to the extent as the U.S.

The impact on median age will be dramatic. Bill Frey, a demographer at the University of Michigan, calculates the current median age is 35.5 years in the U.S. and 37.7 years in Europe. But by 2030, he says, the median ages for the two regions will be 36.2 years and 52.7 years, respectively.

Are there other fast-growing regions?

There are several. Northern Africa, for example, will approximately double its working age population to about 160 million by 2030.

The “stans” countries such as Afghanistan and Kazakhstan will show even stronger growth. Today the European Union has a workforce of 200 million and the “stans” have 95 million. But in 20 years, the workforce in the “stans” will be about 250 million.

The numbers don't guarantee that an emerging region will become a strong economic power, but they do suggest that such regions may exert a strong influence.

What is happening in Asia?

Japan's working population has peaked at about 78 million people, but that level is beginning to fall and will decline to about 61 million by 2030. Birthrates in Japan are lower than in the U.S., primarily because of lower immigration rates.

China's working age population will continue to grow slowly through 2020 from about 850 million now to 900 million before dropping slightly. The workforce in India will grow steadily from around 500 million currently to more than 850 million by 2030.

What do these trends mean for members of the auto industry?

Obviously there will be more potential demand for products in growth regions—and a larger available workforce there. That doesn't necessarily mean OEMs and parts companies should put plants only where the population is growing. But they should consider such trends among many others in determining long-term strategies.

For example, an aging population bring significant costs associated with retirement, pensions and health-care. In Europe especially, a declining workforce will place significant pressures on social programs in the future, and that will impact the region's ability to invest in other areas.

To learn more about Watson Wyatt International's analysis, call Steve Kueffner in Southfield, Mich., at (248) 358-7766.