



Global Highlights

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Demography and Labor Markets

Ageing and skilled labor shortages

- Last weekend, [Expansion](#) highlighted one of the key problems of the labor market in the coming decades: the (skilled) labor shortage. This may be just a preview of something that will become a major challenge for business and governments in the coming decades.
- Over the past 5 years we have heard [predictions](#) of an impending worker shortage due to the retirement of baby boomers. Predictions also say that the retirement of baby boomers will create a drain in knowledge, experience and leadership in our workforce. For the US, the Baby Boom generation (those born between 1946 and 1964) comprise 46% of the labor force and they are rapidly approaching retirement. The first wave of boomers will reach the traditional retirement age in three years (2011). By 2030, baby boomers will all be between the ages of 66-84. Generation X (born between 1965 and 1983) are the workers that would naturally replace baby boomers and account only for 29% of the workforce in that country.
- Europe and Japan face even more challenging numbers. The working age population in European Union would decline by 21 million workers during the period 2005-2030, and in Japan the workforce will shrink by a fifth in the next decade.
- The labor market is already tight in some key skilled occupations in developed countries. Overall, pressures are particularly acute for physicians, nurses, pharmacists, medical technologists and technicians. There are also shortages in fast-expanding sectors in specific locations, from oil and gas in Canada to computer engineering in Spain.
- Those problems result in two challenges for all kind of organizations: How will employers replace the knowledge and experience drain? And, what new programs and services will be required to meet the needs of the labor force?
- Two main solutions are already at play: working longer and hiring abroad. In fact, the lack of growth in prime age workers means that older workers must become a key source of labor or that firms would have to go abroad to recruit workers. With better health care and increased life expectancy, older workers may remain active and productive well beyond retirement years. To make this happen, incentives and regulations must be revised in many developed countries, especially in Europe, as recommended by the [OECD Going for Growth, 2007](#).
- Some countries have relied on immigration to fill the gap. In the US and especially the UK, foreign doctors, nurses and technicians play a key role in the health care sector. 27% of the US doctors and 5% of their nurses were [trained abroad](#), and by 2010, 50% of the nurses will retire, aggravating this problem. Engineers and skilled oil workers are also becoming a fully integrated global market. In the coming five years, 28% of 58K of nuclear workers will retire. Furthermore, [English speaking](#) workers over the globe are also in high demand.
- Even if increases in outsourcing, immigration, productivity and delayed retirements mitigate a potential problem, challenges will remain for HR departments. They will need to transfer efficiently the knowledge from senior to junior workers and to put in practice efficient recruitment and retention policies both in the home country and abroad.