With the help of workforce consultants, some governments are addressing the economic shortcomings that a dearth of workers portend

by Christopher Power

One of the dominant themes emerging from Davos this year is the power of demographics. Population isn't exactly destiny, but it's a huge determinant in how nations, economies, and companies fare. And the demographics often reveal trends that, on the surface at least, contradict the general appearance of a nation's prosperity.

Take the case of Russia. Under President Vladimir Putin, Russia is harnessing its oil and gas reserves to reclaim its status as a power with which to contend. But at a dinner presentation on Wednesday night, demographer Nicholas Eberstadt painted a starkly different picture. Russia's mortality rate is catastrophic, its birth rate abysmal. There will come a time in the not-too-distant future when Russia's depleted population will threaten the Kremlin's neo-imperialist designs.

So how do companies respond to these deep, slow-moving shifts? A talk with some of the top brass of Manpower (MAN) of Milwaukee is very revealing. In 2005, Manpower's network of temp services and human resources operations put 5 million people to work around the globe. With more than $17 billion in revenue, it ranks with Swiss-based Adecco (ADO) as the world-class provider of workers to the top corporations on the planet. Manpower's studies of global workforce trends are some of the best available.

Joining the Union

Take their study on the European labor force. Corporate affairs boss David Arkless says Manpower estimates that in a few decades the European Union will have a shortfall of 60 million people of working age. "And that includes the newly admitted member states of Bulgaria and Romania," says Arkless.

This presents an enormous opportunity for workforce companies such as Manpower, which is advising European governments on bringing older workers back into the workplace, loosening labor rules, seriously retraining workers, and expanding the Continent's pool of part-time workers. All this will help Europe's looming labor shortage. But Manpower figures it won't be enough without a massive revision of immigration laws in Europe. Turkey and Egypt have the people—if Europe will have Turkey and Egypt.

Europe has one set of labor problems for Manpower to tackle—China has another. Acute shortages of middle managers and technical workers are developing at state-owned companies, multinationals operating in China, and even startups. At the executive level, attrition rates in China are more than 25% greater than the global average. Salaries are soaring and companies are finding it difficult to justify the extensive training needed to create managers, only to see them quit for higher salaries elsewhere.
Manpower has been advising Chinese municipalities like Shanghai on how to tackle this problem. The results have been astonishingly quick. Manpower told Shanghai its local economy needed middle managers. The city government set up a series of one-year programs to graduate 29,000 middle managers yearly. Will they be well-trained managers? "That's a good question," says Barbara Beck, Manpower executive vice-president. But the Chinese are showing a lot more vigor in tackling their talent shortage than other countries.

Still, even China cannot escape demographic destiny. China has a rapidly aging workforce and faces pension shortfalls in the trillions. Eventually, these choke points will affect China's supercharged growth. That's why Arkless figures India, with its superyoung population, could eventually surpass China in economic importance. Demographics cannot be denied.

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