

The Future Outlook for People Risk

By Sally Evans, Research Manager

North American cities captured five of the top 10 lowest risk cities in the world for recruiting, employing and relocating employees. Four European cities plus Singapore made up the remainder of the 10 lowest risk cities. In each case, though, “low risk” doesn’t mean “no risk”. In fact, recent trends across the developed world indicate that people risks are rising. Companies will need to address numerous trends that will increase uncertainty in human resources management.

People Risk *could* rise for US Cities

Cities in the United States rank low and medium-low in people risk. Overall, businesses have much flexibility in the way they operate, especially with respect to their workforce. Generally, employment practices are geared to support the employer, posing little intrusion on how they employ and redeploy talent during surplus situations. Also, America boasts some of the top tertiary educational institutions in the world; with such a ready supply of talent, businesses are spoiled for choice.

As a country that has historically welcomed migrants, some US regulations today appear to be counterintuitive. Hundreds of overseas (and predominantly Asian) students graduate from American universities - effectively the “crème de la crème” of global talent - only to be sent home once they have completed their studies due to current immigration policies. This results in a significant loss of talent for American employers.

At the same time, America’s education system is becoming a casualty of America’s growing debt and increased spending on medical care and pensions for its aging population. In the long term, this will impact access to an educated and skilled workforce. Obtuse legislation and regulations are also hindering US competitiveness and productivity, along with businesses’ ability to create jobs, and individuals’ ability to find jobs. Improvements in these areas would serve to stem rising unemployment numbers¹. In 2013, where GDP is predicted to grow by around 2%², current political partisanship may work against America, which up to now has been the most productive place to do business. To sustain current low-risk country ratings, increased access to a high-quality educational curriculum that

10 Lowest Cities in People Risk Ratings

Ranking	City	Rating
1	New York	67
2	Singapore	70
3	Toronto	72
4	London	73
4	Montreal	73
6	Los Angeles	74
7	Copenhagen	76
7	Hong Kong	76
9	Zurich	77
10	Vancouver	78

¹ Competitiveness at a Crossroads, Harvard Business School.

² Economist Intelligence Unit.

adequately prepares students for productive work is needed.³ Pro-business policies, especially those that support the immigration of highly-skilled workers, are needed to sustain current low people-risk ratings.

People Risk *will* rise for European cities

Europe, by comparison to the United States, is in far worse shape. Current rankings in Europe reflect the ongoing concerns regarding the stability of the eurozone. Depending on where a city is based – in or out of the eurozone, in Western or Eastern Europe, northern Europe, or “Club Med” (southern Europe) – the people risk rankings range from low-to-high risk. The pattern that has emerged separates Europe into three categories: low risk cities, all but one of which are not part of the single currency; medium and medium-low risk cities that are part of the eurozone or Eastern Europe (with the exception of Manchester, UK); and medium-high or high risk cities, such as Athens, Greece. Government support, talent development, and employment practices appear to be the key differentiators. These factors have been found to impact the quality of the talent available to an employer, the ease of the employment relationship, and the stability of the political environment in which they currently operate.

Unlike the United States, European employment practices historically favor the workforce. For some cities, strong union presence is commonplace. Contrary to expectations, this does not impact the overall risk for the region negatively; in fact, such workforce protection has created many intelligent employment practices that generally support the employment and redeployment of talent. Unions have also

People Risk in Europe

Global Ranking	City	People Risk Rating
4	London	73
7	Copenhagen	76
9	Zurich	77
15	Stockholm	81
16	Amsterdam	82
16	Oslo	82
27	Brussels	86
34	Helsinki	90
36	Paris	91
37	Manchester	92
37	Frankfurt	92
37	Vienna	92
40	Berlin	93
45	Dublin	102
48	Madrid	107
49	Barcelona	108
54	Prague	117
58	Warsaw	124
59	Milan	127
60	Lisbon	128
62	Krakow	129
64	Rome	130
67	Budapest	135
78	Moscow	143
96	Istanbul	152
96	St. Petersburg	152
108	Bucharest	157
110	Athens	158
110	Sofia	158
119	Belgrade	167
123	Kiev	169

³ Competitiveness at a Crossroads, Harvard Business School.

played an important role in ensuring best-practice and industry standards through the backing of apprenticeships and training for their members. In recent years, Europe has also experienced growth in the number of students completing secondary education and attending tertiary institutions. Nonetheless, youth unemployment continues at an all-time high⁴.

Unfortunately, Europe is a clear example of a region where too many educated people lack employable skills in a world that currently has too few skilled workers⁵. This paradox, combined with many stagnating economies either in or on the verge of recession, presents a dangerous situation for governments. This situation particularly applies to many of the medium-to-high risk cities located in the eurozone.

What is important for Europe in 2013 and beyond is to keep sight of what will reinforce its competitiveness globally. Keeping global competitiveness in mind will help ensure that government policy and spending reflect a long-term vision supporting immigration, education and talent development, job creation and beneficial employment practices, during a period when attention is intuitively short-term and reactive. If future policies don't upgrade their global competitiveness, Europe's people risk ratings will deteriorate even further.

People Risk in China will *change*

China, in contrast to Europe and the United States, is likely to see a decline in risk from its current levels, despite some critical issues that will keep risk higher in the short-term. The majority of rankings for mainland Chinese cities fall within the medium or medium-high risk groups, while Hong Kong and Taipei are rated as low and medium-low risk, respectively. Beijing is the lowest risk city in mainland China – ranking 55 out of 138 cities covered in our 2013 People Risk Index.

China faces three unique challenges that impact the risks associated with recruitment, employment and redeployment:

1. A recent change in political leadership;
2. A more stable but declining economic growth rate;
3. A shrinking working-age population.

A change in political leadership. Maintaining political and social stability will be critical priorities for the new leadership. The government will focus on ensuring sufficient job growth for the new and increasingly educated population entering the workforce and the millions of low-skilled migrants from rural areas. This emphasis will help reduce social tensions and ease the growing income gap, but will also ensure that talent shortages continue, and even grow in the future. On the other hand, the commitment of the new leaders to drive out corruption throughout the ranks of the Communist Party will have a positive effect on the operating environment, and consequently China cities' risk ratings.

⁴ EU Youth Report 2012. European Commission.

⁵ Young, gifted and slack: The World in 2013. The Economist.

A more stable growth outlook will also help lower risks. In the past, China has relied on low wages, investment in infrastructure, and exports to drive growth. In 2013 and beyond, it needs to boost internal consumption. Increased consumption in turn should support job creation, as the service sector matures. With increased job creation, there comes a need to better match skills. Traditional education is becoming increasingly well established in China. However, the provision of training to develop transferrable skills is still lagging. Such training also supports employment and redeployment opportunities in addition to increased workforce productivity; areas where China still lags behind the West. If China can progress in these aspects, it will be able to guarantee businesses not just quantity and quality, but increased flexibility in its workforce, too.

A shrinking working-age population. An increase in productivity will enable China to weather the impact of a shrinking workforce as its output per capita will increase. However, the smaller working-age pool will call for a government response. A smaller workforce will not only have social consequences, it will also impact labor costs, which are currently attractively low to employers. As China's economy matures and it begins to face the same workforce challenges experienced by the developed world, so must its thinking mature as to how it will attract business.

Fortunately, it will be a while before the aforementioned scenario becomes a reality. Moreover, if China continues to learn at its current rate, it will be well prepared, guaranteeing its status in the future as a low people risk location for business.

People Risk in Mainland China

Global Ranking	City	People Risk Rating
55	Beijing	118
56	Shanghai	120
60	Hangzhou	128
62	Guangzhou	129
67	Shenzhen	135
70	Tianjin	138
72	Nanjing	140
74	Wuhan	141
78	Xiamen	143
80	Dalian	144
80	Suzhou	144
83	Shenyang	145
86	Wuxi	146
88	Chengdu	147
92	Harbin	150
96	Hefei	152
96	Xian	152
101	Changchun	153
101	Changsha	153
106	Chongqing	156