

Asia Connect

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People Risk Index:

Five Key Lessons for Asia Pacific

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Asia Pacific's 10 Lowest Risk Cities			Asia Pacific's 10 Highest Risk Cities		
Ranking	City	Overall People Risk Rating	Ranking	City	Overall People Risk Rating
3	Singapore	74	90	Dhaka	190
11	Tokyo	82	89	Phnom Penh	189
15	Melbourne	84	87	Karachi	180
16	Sydney	85	84	Hanoi	175
16	Hong Kong	85	83	Colombo	171
20	Taipei	88	79	Xi'an	161
25	Osaka	90	77	Chengdu	154
36	Auckland	96	75	Kolkata	153
43	Seoul	105	75	Dalian	153
51	Kuala Lumpur	128	72	Wuhan	151
			72	Bangalore	151

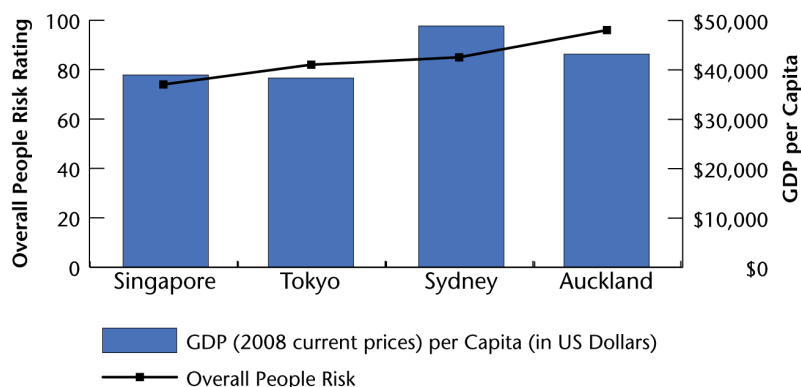
The 2010 People Risk Index Ratings covered 32 cities in Asia Pacific. The results demonstrated that Asia Pacific is a highly polarized region. Three cities in the region - Singapore, Tokyo and Melbourne – ranked among the 15 lowest-people-risk cities globally while three cities - Dhaka, Phnom Penh and Karachi – ranked among the five highest-people -risk cities worldwide. In this article, we dig deep into the results to reveal five key lessons on people risks for the Asia Pacific region.

Lesson 1: Wealth alone does not eliminate risk

Greater wealth facilitates higher investment in human capital development and infrastructures. Literacy, availability of secondary and tertiary school graduates, and the high quality of training facilities combine to lower the risk of employment in high-income locations. But, prosperity is not the only factor determining an employer's risks associated with recruitment and employment.

Despite similar per capita GDP levels (see Figure 1), the overall people risk for Singapore is considerably lower than in Tokyo or Sydney. A rapidly aging population, poor language skills, and the underdeveloped nature of management education in Japan increase relative employment risks in Japan. Restrictions on layoffs and cutbacks in pay, the sometimes difficult nature of labor relations, relatively high crime (as compared to Asia), and limited non-English languages skills add to the relative risks of employment in Australia.

Figure 1: GDP per Capita and People Risk



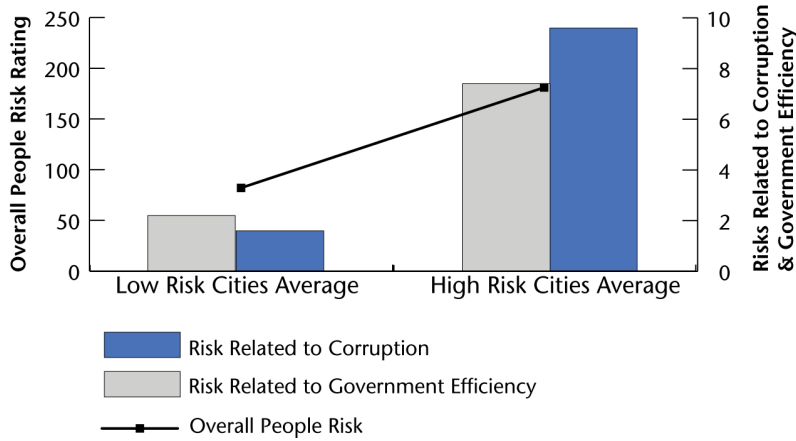
An important implication for companies operating in a low-risk city is the need to be aware of, and to address, risk areas before they become critical. Japan’s employment risk focuses on the difficulty of recruiting people with the skills necessary to work in a global work environment. On the other hand, employment risk in Australia looks different - there employers often face challenges complying with strict regulations and an uncertain labor environment.

Lesson 2: Corruption, bureaucracy and government inefficiency kills

Among the 25 people risk factors included in Aon Hewitt's People Risk Index, government transparency and corruption emerged as one of the most important factors impacting the overall level of people risk. Using the Corruption Perception Index (CPI) as the indicator, we found that the five lowest-risk cities in Asia Pacific have a very low average CPI score; whereas the five highest-risk cities have a very high average CPI score (see Figure 2). Corruption can greatly add to employment risk as employers feel the need to double their efforts to insulate their employees from the prevailing norms.

Another important factor is the level of efficiency of the government agencies in dealing with human resources issues. Once again, Singapore stands out as the most efficient government among the Asia Pacific cities -- another advantage that differentiates it from the other competing cities in the region, such as Sydney and Tokyo. Transparency in government practices and a solid regulatory framework reinforce each other and create a stable, pro-business setting for both employers and employees.

Figure 2: Corruption, Government Efficiency and People Risk



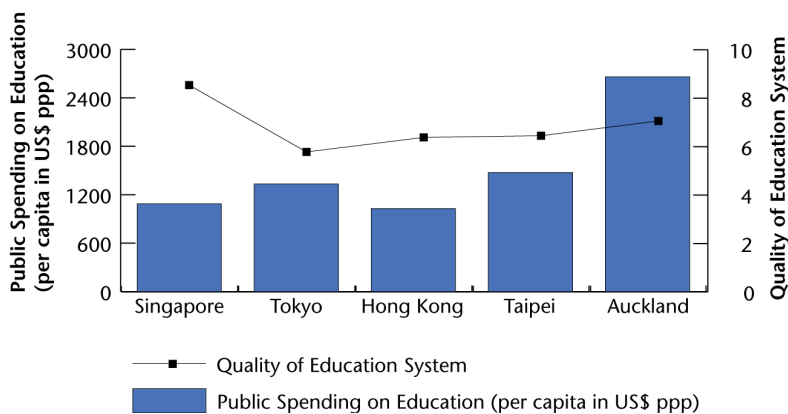
Lesson 3: Education, education, education

As might be expected, our study found that the people risk is lower where human capital development of a city is better planned and implemented. Human capital development can be classified into two major parts: formal education and workplace training and development. Both are equally important to the overall people risk.

On formal education, our analysis shows that cities that have invested more in their education systems generally have lower people risk. Interestingly, though, financial investment does not necessarily guarantee educational achievements. Compared to Taipei and Auckland, Singapore and Hong Kong have managed to achieve similar or better educational performance results with fewer dollars spent on each student (see Figure 3). Similarly, the overall people risk of Chengdu is substantially lower than Phnom Penh, partly thanks to higher education standards despite a similarly low level of per capita educational spending.

A good education system provides the employment market with sufficient qualified entry-level skilled and semi-skilled professionals. Companies with less need to retrain their local hires for entry-level jobs thus can focus their resources more on higher level training and development purposes.

Figure 3: Education Spending and Quality of Education System

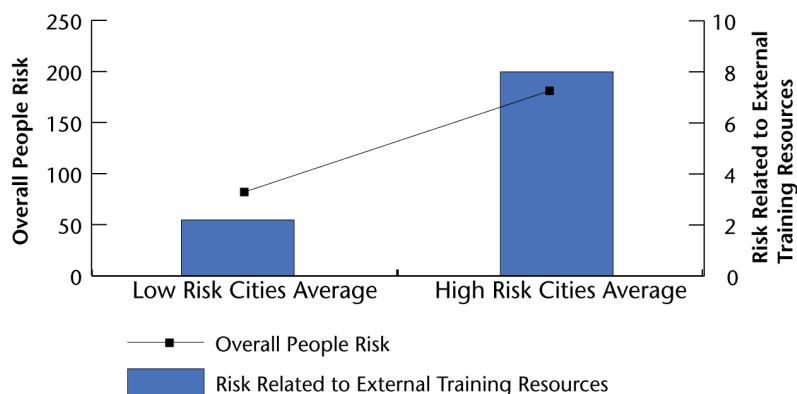


Lesson 4: Training, training, training

The second major aspect of human capital development is the training and development that employees receive at work. The availability and quality of a city's training and development resources illustrates the level of commitment that the city has to effect human capital development. The lowest-risk cities (i.e., Singapore, Sydney and Tokyo) have in place the best employee development resources in the region. On the other hand, employee training resources are scarce in the high-risk cities and the quality of their training facilities is also less sophisticated (see Figure 4).

Companies operating in cities with poor employee training resources need to invest in in-house training facilities in order to upgrade the level of skills and knowledge of their employees. The challenge of employee development is especially critical in knowledge-intensive professions and leadership positions.

Figure 4: External Training Resources and People Risk



Lesson 5: The power of a meritocratic culture

The wealth of human capital is more beneficial to a company when it can be translated into higher productivity and a better bottom line. In order to attract, retain and engage its talents, a company's employment practices need to be based on fairness and meritocracy, rather than bias and favoritism.

Our analysis shows that workplace favoritism is indeed a major contributor to people risk. For instance, while Hong Kong and Singapore are on a par with regards to employee development resources, the meritocratic culture in Singapore has allowed the city-state to further enhance its position as the least risky place for companies to operate. Companies should be aware of the local culture and put in place programs that educate the employees on proper managerial conduct, as necessary.

Conclusion

As the global economy growth continues to shift from the developed markets to the emerging markets in Asia Pacific, companies are seeking more localization in their people strategy to capitalize on the faster growth opportunities available in these markets. This means there will be more presence in the emerging markets and hence more hiring of talents from, and deployment of talents to, these

emerging markets. The better a company understands the people risks in each of their local markets, the better they will be in realizing the business opportunities.

With a clearer understanding of the risk profile, companies can then adapt their HR policies to mitigate the identified risks. Companies can adapt orientation and training policies to the Talent Management risk profile of different locations. Similarly, rather than adopting “one size fits all” global HR policies, they can localize global principles to meet local risk conditions. The Aon Hewitt People Risk Index helps simplify this task by identifying locations with similar risk profiles where common policies and practices may be applied. HR practitioners can then apply a proactive approach to address specific local people risk issues.

Through a proactive approach to people risk management, HR practitioners can play a critical role in driving investments and taking the initiatives required to succeed. While people are a key source of risk, they are also the solution. By understanding people risk, companies are able to mitigate these risks and to transform them into opportunities.

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