

HEALTH WEALTH CAREER

QUALITY OF LIVING REPORTS OVERVIEW



INTRODUCTION

This overview contains information about trends in Mercer’s Quality of Living (QOL) reports as of November 2015. This past year, scores were affected by natural disasters including earthquakes, heatwaves, hurricanes, and droughts; localized cholera outbreaks and the waning Ebola outbreak; spreading conflict—including war, internal instability, and terrorism—in the Middle East, Africa, and Europe; some diminution of tensions between Ukraine and Russia, but a shift in focus with Russia’s entry into the conflict in Syria; continuing monetary and economic concerns in Europe and South America; rising crime in Central and South America as well as in the Asia-Pacific region; and continuing challenges related to development in the Asia-Pacific region and Africa such as air pollution, electricity shortages, and traffic congestion.

SELECTED CITIES WHERE QUALITY OF LIVING		
DETERIORATED	DID NOT CHANGE	IMPROVED
Accra	Auckland	Abidjan
Ankara	Bengaluru	Ashgabat
Bangkok	Dakar	Dushanbe
Caracas	Johannesburg	Havana
Damascus	London	Kingston
Kathmandu	Quito	Sarajevo
Kiev	Shanghai	Suva
New Delhi	Sofia	Tbilisi
Paris	Stockholm	Ulaanbaatar
Sana’a	Sydney	Wroclaw

EUROPE

WESTERN EUROPE

As a region, Western Europe continues to enjoy the highest QOL scores. **Monaco**, **Vienna**, **Zug**, **Zurich**, and **Munich** had the highest scores—offering positive environments for businesses and employees. Even cities with lower QOL scores—**Limassol**, **Nicosia**, **Athens**, and **Naples**—were among the top 50% of locations worldwide.

Among the prevailing concerns were the economic outlook, the economic and monetary crisis in Greece (with austerity measures sparking protests in **Athens**), continuing tensions between Russia and Ukraine, the influx of migrants from the Middle East and Africa, and terrorism. Most QOL adjustments were minor in Western Europe. Scores for **Dresden** and **Glasgow** increased due to a better offering of international cuisine at city restaurants, and in **Milan** because of housing availability.

EASTERN EUROPE

This year, the tenuous ceasefire in Ukraine and the faltering economies of Russia, Ukraine, and Kosovo were causes of disquiet. Additional sources of concern were the influx of migrants from the Middle East, tension surrounding Russia's entry into the conflict in Syria, and terrorism in Turkey as well as spillover violence from regional conflicts. **Prague**, **Ljubljana**, **Budapest**, **Vilnius**, **Warsaw**, and **Bratislava** registered among the highest QOL scores in the region. Conversely, the lowest scores were assigned to cities such as **Pristina** and **Baku**.

The most impressive QOL increase was for **Tbilisi**, where medical supplies, crime, and recreational options improved. **Kazan's** score rose mainly as a result of continued political stability (the city does not experience the level of civil disorder reported from some larger Russian cities).

Ankara was among the cities that experienced a decline in QOL. The October 2015 bombing in the Turkish capital triggered a rating decrease. Furthermore, the long-standing ethnic conflicts within Turkey, most notably involving the Kurds and the government, have also affected security in most Turkish cities.

Among other noteworthy developments was continuing economic deterioration within Russia, primarily because of Western sanctions and plummeting oil prices; the impact was felt in **Moscow** and **Saint Petersburg**, though no adjustments to ratings were deemed necessary.

Civil unrest in eastern Ukraine and political tensions with Russia continued to threaten Ukraine's economic stability, in part because of its dependence on imported oil. As a result, QOL declined in **Kiev**.

SPECIAL NOTE:

TERRORISM THREAT IN WESTERN EUROPE

At the time of printing, Mercer is analyzing the status of several Western European locations in light of recent events.

On 13 November 2015, Paris was hit by a series of coordinated terrorist attacks. These resulted in the death of more than 130 people and over 350 injuries. France has since declared a three-month state of emergency. Following the attacks, mass police raids occurred in Paris (e.g., in the St-Denis district) and in other French cities.

The Paris headquarters of Charlie Hebdo (a satirical newspaper) had been hit by a terrorist attack in January 2015. This was followed by a related attack on a kosher supermarket in the capital, as well as shootings in other areas of the Île-de-France province. These attacks spanned almost two days, resulting in a combined death toll of 20.

The November attacks have triggered major concerns among European countries over the continued threat of terrorism. Many have reinforced their border controls. Brussels has been on a high terror alert since the most recent attack in Paris; public transport, such as the metro, was temporarily closed for safety reasons.

NORTH AMERICA

Quality of living remained high in North America, with the following Canadian cities continuing to hold the highest QOL scores: **Vancouver, Toronto, Ottawa, and Montreal**. In the United States the city of **San Jose** (California) had the highest QOL scores. The cities of **Detroit, Phoenix, Saint Louis, and Cincinnati** had the lowest scores.

This year, water restrictions affected QOL scores in some Californian cities, and **Boston's** score was affected by severe winter weather that brought extremely cold temperatures and unprecedented snowfall. **Cleveland** registered the greatest score reduction because of its high crime rate. Farther west, water restrictions triggered less serious score reductions for **San Diego, San Jose, and San Francisco**; traffic congestion caused a similarly small reduction in the QOL score for **Seattle**.

CENTRAL AND SOUTH AMERICA

Decreasing scores for the political and social environment (crime and law enforcement in particular) and for the socio-cultural environment (particularly media and censorship) characterized a number of locations in this region. For example, despite local differences, Mexico is acknowledged as the deadliest country for journalists in the western hemisphere, and Honduras shares this characteristic.

The highest QOL scores in the region were assigned to **Point-à-Pitre**, **Fort-de-France**, **San Juan** (Puerto Rico), **Montevideo**, and **Buenos Aires**. The lowest scores were for **Port-au-Prince**, **San Pedro Sula**, **Havana**, **Tegucigalpa**, and **Caracas**. Among significant developments this year was the resumption of diplomatic relations between Cuba and the United States.

The greatest improvements in QOL scores occurred in **Kingston**, **Havana**, and **Port-au-Prince**. In **Kingston**, increasing political stability was the source of the change, while in **Havana**, the re-establishment of diplomatic relations between Cuba and the United States improved the ease of entry and exit. In **Port-au-Prince**, enhancement of the electrical power supply brought about the positive change, though overall conditions remained very challenging.

The greatest QOL decreases were in **Caracas**, **San Pedro Sula**, **Tegucigalpa**, **Fort-de-France**, and **Point-à-Pitre**. In **Caracas**, various government policies have exacerbated a shortage of food products and other necessities, including medicines. Consequently, the QOL scores for availability of consumer goods and medical supplies were decreased. The shortages have led to rationing, long lines, and escalating crime. Tense diplomatic tensions with the United States were another source of the decline in QOL.

The change for **San Pedro Sula** and **Tegucigalpa** reflects the climate of media censorship and security concerns that affect the ability of expatriates to enjoy recreational activities.

Although hurricanes continue to be a threat in **Nassau**, the city has not experienced a major one since 2012—this has been reflected in a positive score change.



MIDDLE EAST

Conflict within and between nations and extremist groups—including the Islamic State—continued to affect Syria, Yemen, and Iraq—spilling over borders into neighboring states and escalating tensions, most notably in Saudi Arabia, Turkey, and Egypt. Incidents of terrorism continued to suppress QOL scores for political and social environment as well as the socio-cultural environment within the region—particularly in Saudi Arabia, Kuwait, Syria, and Iraq. Negotiation of a nuclear agreement in exchange for lifting sanctions levied against Iran was one bright spot in developments. **Dubai, Abu Dhabi, Tel Aviv, and Doha** have the highest QOL scores in the region; **Baghdad, Sana'a, Damascus, and Tripoli** have among the lowest.

No locations in the Middle East experienced a significant QOL increase; those with the greatest QOL decrease were **Damascus, Sana'a, and Manama**. For **Damascus**, the source of the revision was the civil war and conflict with the Islamic State; shortages of food, daily consumption items, and medical supplies became chronic. Furthermore, since expatriates have left the city, there is no longer an expatriate housing market in **Damascus**. The geopolitical nature of the conflict became even more complex and escalated with the emergence of the Islamic State (ISIS) and the military actions taken by Western powers and regional powers.

The civil war in Yemen revealed the fissures in its relationship with Saudi Arabia. Of particular concern were the Saudi air strikes and blockade, which drastically affected the availability of food, consumables, and medical supplies in **Sana'a**. The closure of international schools in this location was another consequence of the civil war. Various score reductions were announced in a QOL Alert published on Global HRMonitor in April 2015, with further reductions implemented during the November update.

Qatar, which will host the 2022 FIFA World Cup, has seen a decline in QOL for **Doha** due to rising levels of air pollution there. Sources of pollution include traffic exhaust, construction projects, and sand and dust from seasonal winds and storms. A similar score change was noted in **Dubai** and **Abu Dhabi**, which also experience air quality issues.

The decrease in **Manama** was caused by limitations on personal freedom and the censorship and violence directed at media. Interruptions in electricity and water triggered a score reduction in **Muscat**.

AFRICA

In Africa, the highest QOL scores were in **St. Denis, Port Louis, Durban, Pretoria,** and **Cape Town**. Conversely, the lowest were in **Bangui, Khartoum, Ndjamena,** and **Brazzaville**.

The devastating Ebola outbreak that began in March 2014 in West Africa has diminished but continues to appear sporadically, and cholera outbreaks affected Ghana, Malawi, and Mozambique. Terrorism also figured largely throughout Africa—with attacks attributed to al-Qaeda and its related offshoots: the Islamic State and Boko Haram. Terror attacks occurred in Libya, Tunisia, Nigeria, Kenya, and Uganda in addition to other locations. Likewise, a bomb explosion brought down a Russian commercial airliner in Egypt's Sinai Peninsula. Internal conflicts pitting governments against extremists also afflicted Mali and Mauritania.

The largest QOL score increases were recorded for **Abidjan, Windhoek, Blantyre, Lilongwe,** and **Cape Town**. In **Abidjan**, a diminution of rebel attacks as well as improved law enforcement, more cinema options, and better scores for media and censorship were behind the change. **Windhoek** now offers greater variety in recreation options for sport and leisure.

Meanwhile, the most significant score reductions in Africa fell upon **Bujumbura, Accra, Asmara, Harare,** and **Malabo**. In **Bujumbura**, a media and censorship crackdown as well as police violence caused the negative QOL adjustment.

The reduction in **Accra** was caused by the deadly flooding and cholera outbreak there. Censorship and hostility to media prevail in Eritrea, prompting the downward revision for **Asmara**. Problems with waste removal and flooding in **Harare** triggered a similar score change there, and the lack of transportation options—public or otherwise—led to the negative assessment for **Malabo**.

SPECIAL NOTE:

TERRORISM THREAT IN AFRICA

At the time of printing, Mercer is analyzing the status of Bamako, Mali.

On 20 November 2015, Islamist militants attacked a hotel in Bamako, the capital city of Mali. More than 20 people were killed during the attack.

ASIA-PACIFIC

In the Asia-Pacific region the following cities scored highest in QOL: **Auckland, Sydney, Wellington, Melbourne, Perth, and Singapore**. On the opposite end of the QOL spectrum, the cities of **Kabul, Kathmandu, Dili, and Pyongyang** scored lowest.

Issues in this vast region were as varied as its size. In China, developmental challenges such as air pollution, waste removal, and traffic congestion predominated. Natural disaster in the form of earthquakes—the most destructive of which struck **Kathmandu**—also affected nearby Afghanistan, Pakistan, and parts of India as well as Japan and Malaysia. Heatwaves blanketed India and Pakistan in May and June respectively, leaving more than 3,000 dead in both countries while striking particularly hard in **New Delhi** and **Karachi**.

Some of the largest positive movements in QOL scores occurred in cities such as **Suva, Dushanbe** and **Ashgabat**. Improving internal stability caused the upward shift in QOL for all three of these cities.

Two of largest downward QOL revisions in the region were for **Bangkok** and **New Delhi**. Score changes for **Bangkok** reflected the more severe limitations on personal freedom as well as increasing censorship imposed by Thailand's military junta; additionally, the terrorist attack in August and new restrictions on sales hours for alcoholic beverages contributed to the lower QOL score of **Bangkok**. The downward revision for **New Delhi's** QOL score was the result of rising crime and improper sewage disposal there.

Another QOL decline was witnessed in **Singapore**, whose rating for air pollution fell. The small nation of islands continues to be plagued by haze and plantation burning by farmers in Indonesia, frequently driving air pollution to unhealthy levels. It is worth noting that the recurring problem also affects Malaysia as well as large parts of Indonesia itself.

Finally, as a result of the devastating earthquakes that struck **Kathmandu** in April and May 2015, QOL score revisions were announced with a QOL Alert published on Global HRMonitor in June 2015. Among others, scores for natural disasters, medical supplies, water availability and housing went down. Much of the housing in the city was either destroyed or severely damaged—leaving hundreds of thousands of people homeless. Medical facilities suffered a similar fate: With more than 8,000 fatalities and 20,000 casualties, hospitals were unable to provide even their previous levels of service because of damage and medicine shortages. Further score reductions were made in the November update, reflecting the severe and ongoing challenges the city faces.

GROWING COVERAGE

Mercer is pleased to announce the addition of the following 10 locations to our standard coverage, taking the total to 392:

- Al Khobar/Dammam, Saudi Arabia
- Asmara, Eritrea
- Cologne, Germany
- Edinburgh, United Kingdom
- Fuzhou, China
- Gyor, Hungary
- Hannover, Germany
- Paramaribo, Suriname
- Recife, Brazil
- Taichung, Taiwan

FOCUS ON... MEDICAL AND HEALTH CONSIDERATIONS

Mercer's second-highest QOL category in terms of weighting is Medical and Health Considerations. It encompasses factors such as hospital services, water potability, air pollution, and infectious diseases. Such criteria are very important for employees who are considering an international assignment, especially if they will be relocating with other family members. The category accounts for 19% of the total weighting, second only to the Political and Social Environment category.

Expatriates assigned to certain regions—for example, Africa and parts of the Middle East or Asia—face heightened health risks brought about by the presence of serious infectious diseases, unreliable medical care, and poor sanitation facilities. Current health threats around the world, such as avian influenza or Middle East respiratory syndrome coronavirus (MERS-CoV), continue to feature heavily in the news. Moreover, migration and mobility are responsible for spreading such diseases across borders, a concern both among travelers and the governments of countries at risk. Consequently, they are a significant area of concern for expatriates.



Prior to an international assignment, expatriates and their families are often concerned and eager to know more about the local level of medical facilities, the threat of serious infectious diseases, the number of vaccinations recommended or required, etc. It is paramount for companies to furnish thorough advice to those considering assignments in high-risk locations. Descriptions of what companies do to mitigate health risks and their emergency procedures, such as evacuation to nearby countries or to the home country, provide information that can encourage employees to accept assignments in such locations.

Is a location afflicted by life-threatening illnesses?

Is the incidence of infectious disease high?

Is the medical care dependable? Is air and water of good quality?

Are sanitation standards high?

High pollution levels can affect an expatriate's health and ability to enjoy the attractions offered at a host location. If air quality is problematic in a particular location, Mercer recommends such measures as **limiting outdoor and strenuous activity on high-pollution days, wearing face masks when outside, using air purifiers indoors and visiting medical professionals in case of any health issues.**

The following list contains some of the items that companies often consider before sending employees to locations that carry significant health risks:

- Establish an emergency evacuation plan for medical purposes.
- Mitigate risks through adequate medical insurance.
- Provide any necessary training and health awareness information.
- Ensure that company medical policies and provisions are clear.
- Check health conditions such as pollution levels, availability of medicines, etc.
- Consider whether the location should be a non-family post.
- Determine the availability of medical supplies and the nearest essential-medical-care facilities.
- Identify required or recommended vaccinations for communicable diseases.

Mercer's Quality of Living reports help to ensure that companies compensate their international assignees adequately for poor medical and health conditions in a host location.

WHAT DOES MERCER CONSIDER WHEN IT COMES TO HEALTH?

Mercer's QOL assessment takes into consideration the following factors:

Hospital Services

- What is the quality of medical services?
- Does the location have a sufficient number of healthcare facilities?

Medical Supplies

- What is the availability of medicines?
- Is there a need to import medicines from abroad?

Infectious Diseases

- What is the incidence of infectious disease?
- Have there been any serious disease outbreaks in the region recently?

Water Potability

- Is tap water safe to drink?
- Is it necessary to boil the water before drinking?

Waste Removal

- How effective are waste removal services?
- Does litter pose a health hazard?

Sewage

- How extensive is the location's sewage system?
- Is untreated sewage a problem here?

Air Pollution

- What is the quality of the air here?
- Are there industrial areas with higher levels of pollution?

Troublesome and Destructive Animals and Insects

- What is the incidence of animals and insects that spread disease or cause damage to property?
- Do these animals and insects appear seasonally?

These are just some of the questions Mercer's Quality of Living analysts investigate when updating each report.

MERCER'S HARDSHIP PRODUCTS: ONE GOAL - TWO DIFFERENT APPROACHES

QUALITY OF LIVING (QOL) AND LOCATION EVALUATION REPORT (LER) METHODOLOGIES EXPLAINED

Expatriates usually face similar needs wherever they live – housing, education for their children, medical facilities, working infrastructure, cultural and recreational outlets, and places to obtain goods and services. Additionally, such things as climate and physical conditions, disease and sanitation standards, ease of communications, and physical remoteness can make a home away from home feel like a pleasant adventure or an unpleasant misfortune. Moreover, the political and social environment, political violence and repression, and crime may give rise to potentially uncomfortable, inconvenient, or even dangerous situations.

To help determine the level of hardship entailed by a host location, as well as a premium appropriate for the location, Mercer offers two products that comprehensively evaluate local conditions. The qualitative and quantitative methods involved in Mercer's products – the Quality of Living report and Location Evaluation report – result in a financial incentive that not only helps motivate employees to accept foreign assignments, but also compensates them for adverse conditions associated with the assignment location.

LOCATION EVALUATION REPORTS

For a given location, the Location Evaluation reports (LERs) provide a recommended premium that is based on generally accepted high living standards. Analysts rate the living conditions in the location and calculate an overall score, which is then translated into a recommended location-specific premium (expressed as a percentage of base salary). The LER generates a single recommendation for each location that is not dependent on any home, or base, location.



QUALITY OF LIVING REPORTS

Although Quality of Living reports (QOLs) also assess and rate diverse quality-of-living factors, they provide a recommended premium only when a home (or comparative) location is also selected. The QOL calculator enables you to compare the quality of living in two locations, determine a quality-of-living index between them, and translate the index into a premium recommendation (also expressed as a percentage of base salary). The QOL can result in a different recommendation for a given location, depending on the home location from which the assignee departs.

WHICH APPROACH FITS YOUR NEEDS?

When deciding what works best for your organization, consider these questions:

- How does management feel about paying a different location premium to expatriates from different nationalities in the same location?
- Would payment of a different percentage based on the employee's home country create undesirable employee relations issues?
- Is it important for your organization to compensate for any hardship level or only in relation to the level experienced by the assignee at home – that is, only for the differential of hardship and difficult conditions between the home and host locations? For example, does going to a polluted location from a non-polluted location or from an equally polluted location need to be equally compensated?

The overall factors for selecting a specific methodology focus on these decision points:

- Clients who wish to pay the same location premium percentage to all assignees in a given location—regardless of their point of origin—prefer the LER approach.
- Clients who prefer to supplement an expatriate's compensation for arduous conditions only if the situation represents a deterioration of living conditions compared to the assignee's point of origin prefer the QOL approach.



For further information, please contact

Slagin Parakatil

slagin.parakatil@mercer.com

Mariana Huston

mariana.huston@mercer.com

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