

Employment Growth Worldwide is Being Driven By Cities

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Every newly employed person constitutes a new consumer, and a change in the overall employed population is one of the most useful indicators in finding the most prospective markets for sales growth. Over 2005-2013 employment growth was very different across the world, registering a 20% rise in Latin America compared with just a 2-3% increase in North America and Eastern Europe. The key insight, however, lies in highlighting the rapid rate of employment growth in cities. Regardless of the specific region of the world, major cities stand out as generating jobs faster than their respective home countries. Major cities are particularly strong in creating workplaces in Africa and the Middle East, Asia Pacific and Eastern Europe, which is where the world's new middle-class consumers are emerging.

Urbanisation and Foreign Investment Drive Employment Growth

Over the eight years from 2005-2013 in the aforementioned regions of the Middle East and Africa and Asia Pacific, employment growth was twice as fast in cities as in their respective regions overall. To some extent, the rising number of jobs in cities was both a reason for and the result of an influx in number of immigrants. Asia Pacific, Africa and the Middle East experienced rapid urbanisation. While a couple of decades ago immigration to cities was regarded as a troubling trend leading to overpopulation, in later years (starting from the 1990s) immigration in fact served as a supply of cheap labour for streaming foreign investment in key Asian megacities. Fuelled by the sprawling factories of foreign corporations, Chinese megacities (Shanghai, Beijing, Tianjin and others), Jakarta, Manila, Ho Chi Minh City, Seoul and a number of other cities managed to create between 1-2.5 million new jobs over 2005-2013.

Eastern Europe is in a late stage of demographic transition with an ageing population and a low fertility rate, which means that generally an insufficient workforce is constraining rapid economic growth in most countries in the region. That is not the case in major regional urban areas as Eastern European cities remain dynamic centres of economic development which have performed considerably better than the wider region in terms of employment growth. Namely, over 2005-2013 employment increased by 11% in major Eastern European cities in comparison with 3% growth in the wider region. Urban employment is being boosted both by domestic demand (as cities benefit from growing consumer purchasing power) and foreign investment. For example, Eastern European cities are often perceived as primary destinations for establishing the shared service centres of international corporations. Tholons, a global investment advisory, names Krakow, Prague, Brno, Warsaw, Budapest, St Petersburg, Bucharest and Bratislava among the world's top 50 outsourcing destinations (along with only Dublin and Belfast in Western Europe).

Rising Employment will Boost Number of Middle-Class Consumers

The rapid growth of urban employment is likely to boost the share of middle-class consumers in cities. In fact, according to the International Labour Organization (ILO), there is an ongoing worldwide structural shift towards more productive jobs (in terms of value added per employee). In 2013, the ILO published a report that anticipates 390 million new middle-class jobs by 2017, most of them in East Asia. These better-paid jobs will be in service industries and it is likely that they will be concentrated in cities, thus boosting the purchasing power of urban populations.

Urban poverty is already on a downward trajectory in many countries, as evidenced by World Bank data. According to the dynamics of poverty rates (see numbers for selected countries below), many of them actually reduced urban poverty over 2003-2011. With poverty in the cities in decline, urban residents are seeking better housing, transportation, services and eating out facilities.

Share of Urban Population in Poverty According to National Poverty Definitions – Geographies 2003-2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Argentina	54.7	40.2	33.8	26.9	20.6	15.3	13.2	9.9	6.5
Peru	48.2	44.5	37	30.1	25.4	21.3	20	18	

Ukraine 15.7 12.2 6.3 5.1 2.9 2 - - Turkey

22.3 16.6

12.8

9.3 10.4 9.4 8.9 - Serbia 10.4 5.2 4.3 4.9 5.7 - Russia 13.1 10.1 8.1

7.4

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- India 25.7 - - 20.9 - Indonesia 13.6 12.1 11.7 13.5 12.5 11.6 10.7 9.9 9.2

Source: Euromonitor International from World Bank Geographies 2003 2004 2005 2006 2007 2008 2009 2010 2011

Argentina 54.7 40.2 33.8 26.9 20.6 15.3 13.2 9.9 6.5 Peru - 48.2 44.5 37 30.1 25.4 21.3 20 18 Ukraine 15.7 12.2 6.3

5.1 2.9 2 - - Turkey 22.3 16.6 12.8 9.3 10.4 9.4 8.9 - Serbia - 10.4 - 5.2 4.3 - 4.9 5.7 - Russia 13.1 10.1 8.1 7.4 - -

- India - - 25.7 - - - 20.9 - Indonesia 13.6 12.1 11.7 13.5 12.5 11.6 10.7 9.9 9.2 - See more at:

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