



December 2009

Facilitating international assignment compensation management

Why is in-house knowledge critical for success?

Peng Yang Long

Melbourne Australia

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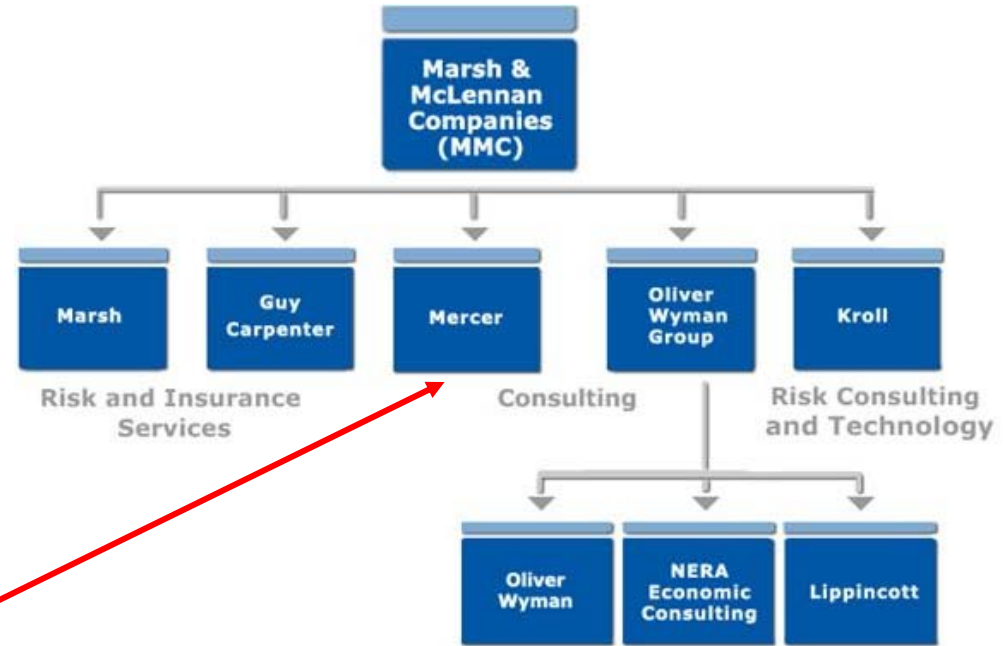
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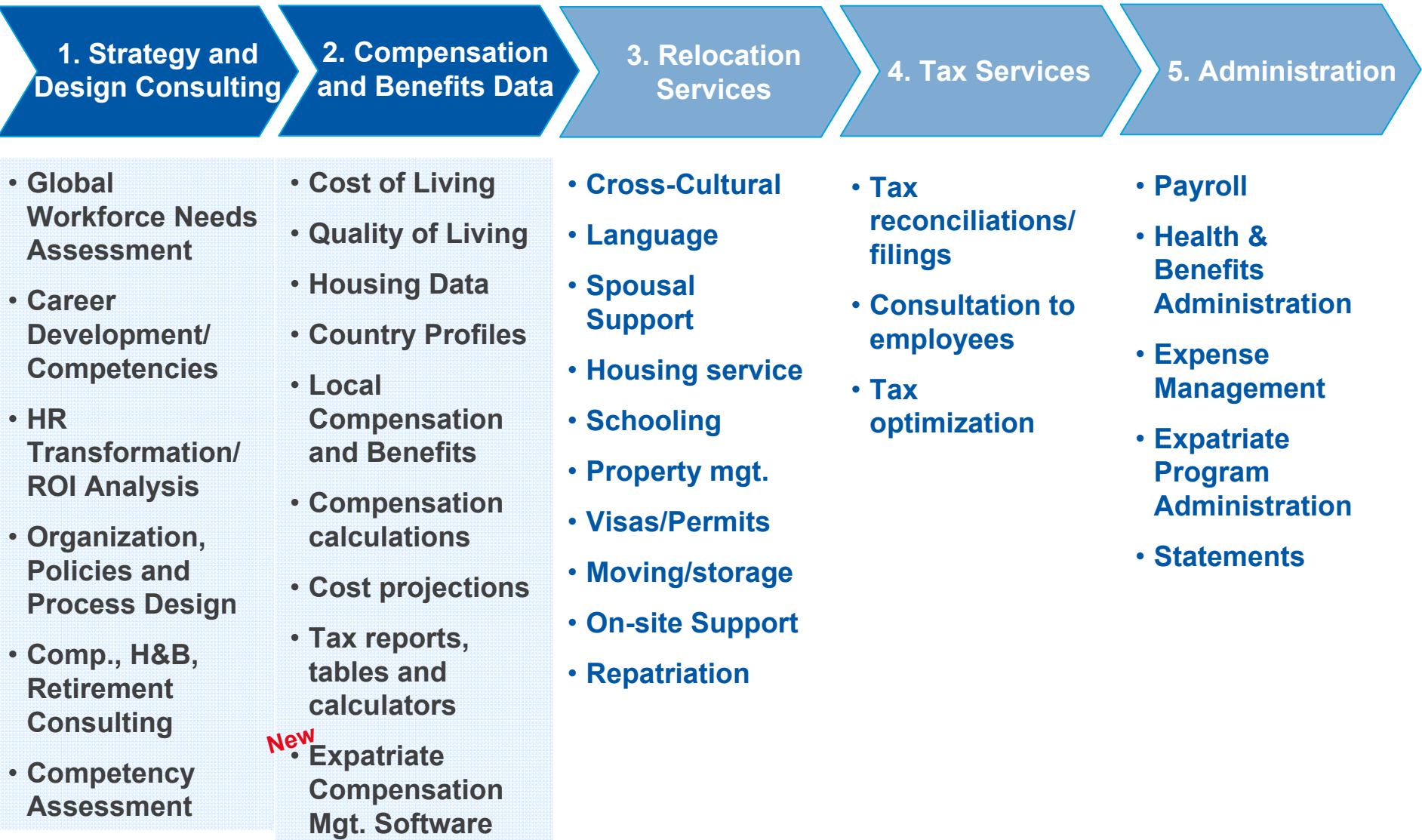
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- Voted the "Consulting Firm for HR Strategy and Management" in China by *China Staff*



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		Switzerland	

Global Mobility Value Chain – Our Global Mobility Services



Today's agenda

1. Trends and background – what you are telling us

2. What is changing – the value of knowledge
Four areas to consider for in-house knowledge

2. Questions and Answers



**1. Trends and background
What you are telling us?**

Response to Webinar Mini Survey

How have the number of employees on the following types of assignments evolved over the last six months?

	Globalist Assignments	Short-Term Assignments	3- 5 Year Assignments
Stayed the same	53%	52%	50%
Reduced	24%	42%	27%
Increased	24%	22%	23%
Unsure/NA		20%	

Source: APAC mobility webcast survey, 2 Dec 2009, 201 respondents

Response to Webinar Mini Survey

Have you made changes to your global mobility policy/policies or elements of it during the past year?

No 67%

Yes 33%

Are you planning to review your international assignment policy/policies or elements of it within the next year?

Yes 61%

No 39%

Source: APAC mobility webcast survey, 2 Dec 2009, 201 respondents

Response to Webinar Mini Survey

Do you run employee engagement surveys?

No	41%
Yes	59%

What are the main areas for improvement in your current policy/policies?

TOP 5 main areas

Benefits

Localisation

Tax

Cost containment

Policy structuring

Source: APAC mobility webcast survey, 2 Dec 2009, 201 respondents

Response to Webinar Mini Survey

How transparent are you in communicating packages to your international assignees?

Fully transparent - we explain the methodology 68%

Partly transparent - we only provide the final salary figure 32%

How important is to explain the details of the package build up to your international assignees?

High 89%

Low or not at all 11%

Do you know/evaluate how well your international assignees understand their packages?

Usually or always 64%

Rarely 30%

Never 7%

Source: APAC mobility webcast survey, 2 Dec 2009, 201 respondents

Response to Webinar Mini Survey*

If you outsource parts or all elements of your international assignments management process, do you retain in house the communication of the package to the assignee?

Yes	83%
No	17%

If yes, do you feel this approach brings the desired results?

Yes	88%
No	12%

Source: APAC mobility webcast survey, 2 Dec 2009, 201 respondents

Response to Webinar Mini Survey

Top TEN most difficult locations

China	30%
India	25%
Africa	8%
Europe	7%
Vietnam	6%
Japan	5%
UAE	5%
UK	5%
Middle East	4%
Philippines	4%

Response to Webinar Mini Survey

What are the most successful elements of your current policy/policies?

Expatriate allowances	33%
Compensation model	15%
Visa and immigration	10%
Spouse support	10%
Transparency, standard terms, consistency	9%
Relocation support	8%
Employee's engagement to the company	7%
Benefits	5%
Flexibility	3%

Response to Webinar Mini Survey

What changes have you made in the past year? Selected quotes.

- Policy changes
- Clear policies published.
- Reduced R&R leaves
- Shipment of personal belongings
- New handbook and policies
- Decrease allowance and benefits
- Added Tax Policy
- Policy changes in package types
- Localization
- Policy change
- New option: commuting assignment
- Home leave from benefit to allowance
- Car, housing etc.
- Increase spousal assistance, language assistance and household reimb limit
- Reduced COLA level to efficient, revised selection criteria
- We have tried to reduce the scope of policy benefits to reduce the cost impact. Few changes in the comp stack up to comply with the local wage norms
- Standardised supporting benefits
- Assignment allowance
- Introduced a global policy covering global, secondments and short term assignments

Response to Webinar Mini Survey*

What changes have you made in the past year? Selected quotes.

- New Policy to align & Legacy policies
- Harmonization of Global Policies
- Light versions of full packages, currency protection policy, allowances.
- Home Leave_Children Education
- Currently in the process
- Change of travel class & medical coverage
- Changed the methodology on building packages
- Changes to expatriate policies, e.g. increasing no. of home passage for hardship locations, COLA
- Increase dual income assistance and overseas premium
- More structured policy
- Align some benefits to market
- Home leave travel (streamline travel option)
- Based on feedback and needs
- Cost reduction
- Reduced provisions
- Remuneration more tightly controlled
- Home leave adjustment
- Move to Efficient Purchase Index, Decrease in relo allowance
- To reduce costs



2. What is changing – The value of knowlegde
Four areas to consider for in-house knowledge

5 Good reasons why expatriate managers overlook the options

- **You may not have the time**
- **You do not want to take the time, other priorities**
- **You consider it a waste of your and others time**
- **You are not allowed to take the time**
- **You may not have the right tools that allow you to:**
 - gain insights into your IA program outcomes
 - bring value to the table (how do you define a strategic partner?)

So your focus is likely to be heavily weighted towards administrative tasks

You can change this – and Mercer can help you

Four areas to consider for in-house knowledge



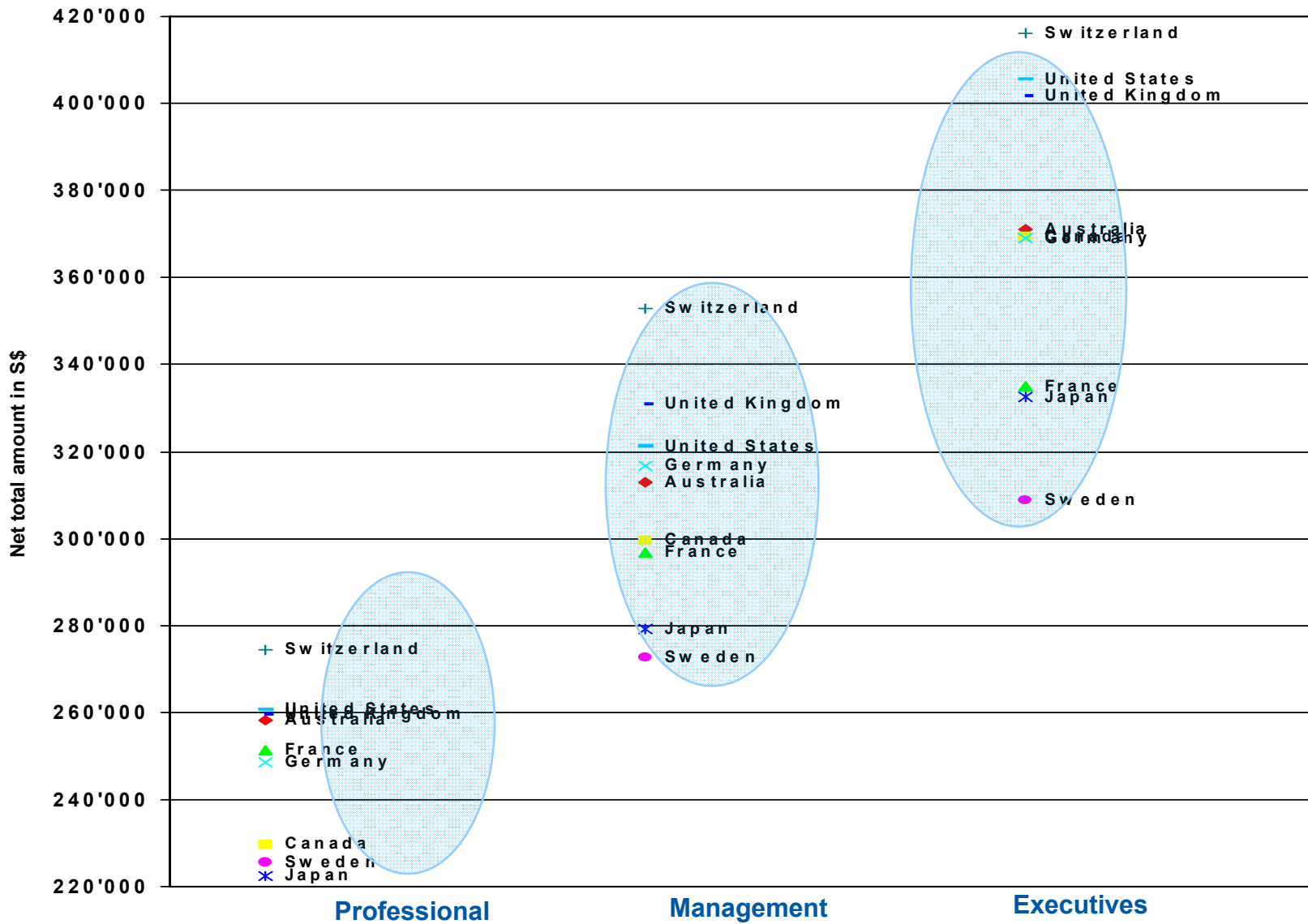
Four areas to consider for in-house knowledge Benchmarking



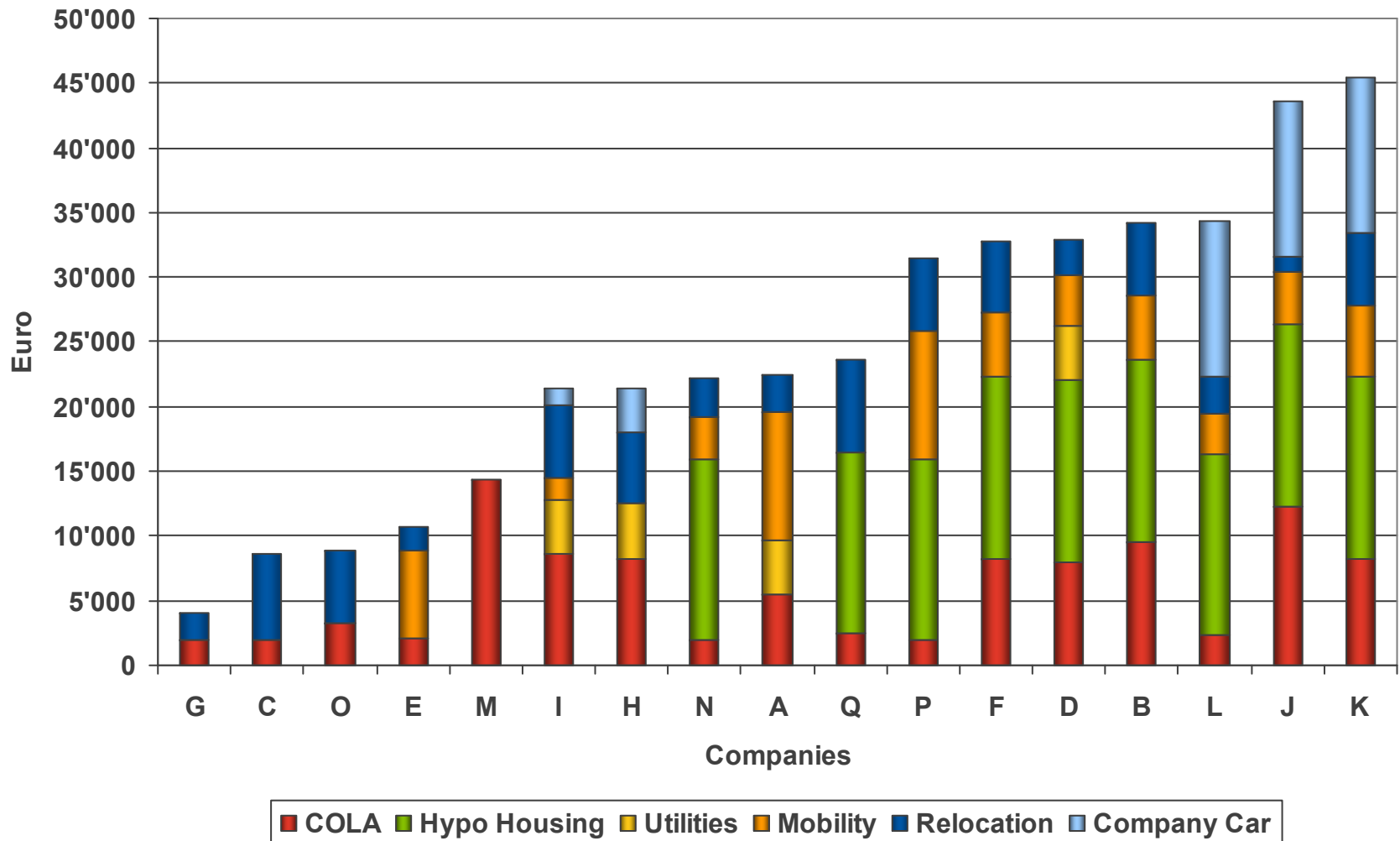
1. Benchmarking

Benchmarking: Expatriate Compensation Levels in Singapore

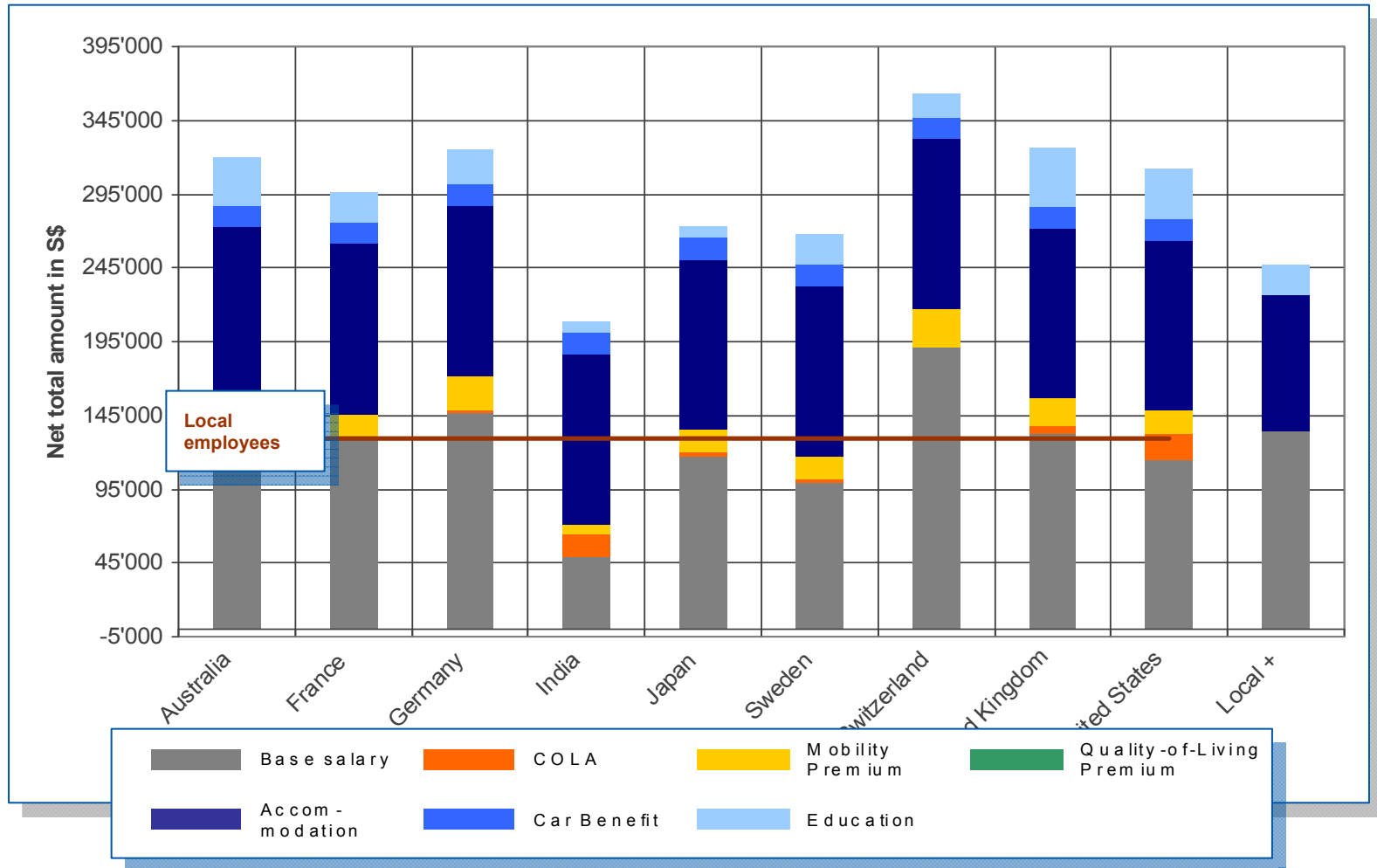
(standard policy applied)



Benchmarking: Comparative annual value of allowances



Benchmarking: Trying to localize?



Four areas to consider for in-house knowledge Engagement and Drivers



**2. Engagement
and
drivers**

Engagement and drivers: why is value understanding important?

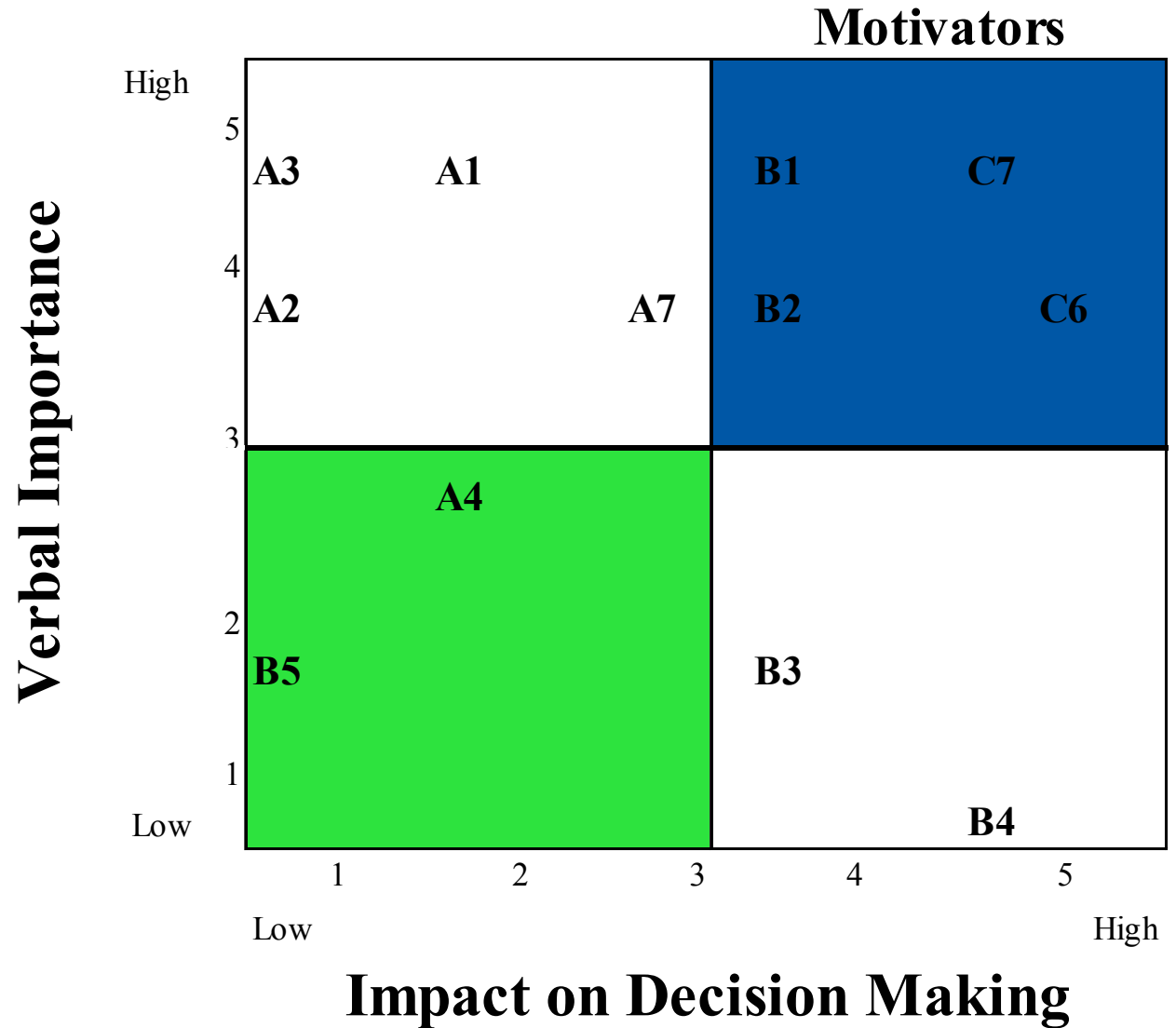
Identify areas

- that employees consider important
- that impact decision making
 - Monetary benefits
 - The effect on career and job opportunities
 - The opportunities for the family

Not all assignments achieve the same degree of value. A better understanding of what drives decision making will enable you to align your policy and package to what your employees consider important.

Engagement and drivers: valuable feedback

The grid analysis



Four areas to consider for in-house knowledge Metrics and Analysis

3. Metrics and Analysis

Metrics and Analysis

Costs

- **Straight costs**
- **Break up or discontinuity of functioning teams**
- **Disruption in existing client relationships**
- **Re-patriation productivity loss**
- **Productivity loss due to poor expat-assignment fit**
- **Potential undermining of the creation of specialist knowledge (i.e., “specific Human Capital”)**

Benefits

- **Developing human capital**
- **Bringing broader experience to project teams to enrich the work**
- **Greater breadth of understanding of client and business issues**
- **Enhanced ability to attract top talent to a truly global enterprise**

Metrics and Analysis: What is the expatriate program doing for.. YOUR FIRM and for YOUR EMPLOYEES?

- Are teams composed of international assignees more successful than teams that are not?
- Are individuals who take an international assignment more successful and/or have greater career opportunities than those who don't?
- What is the overall international assignment experience? How are various vendors viewed? How do international assignees feel about the repatriation experience?

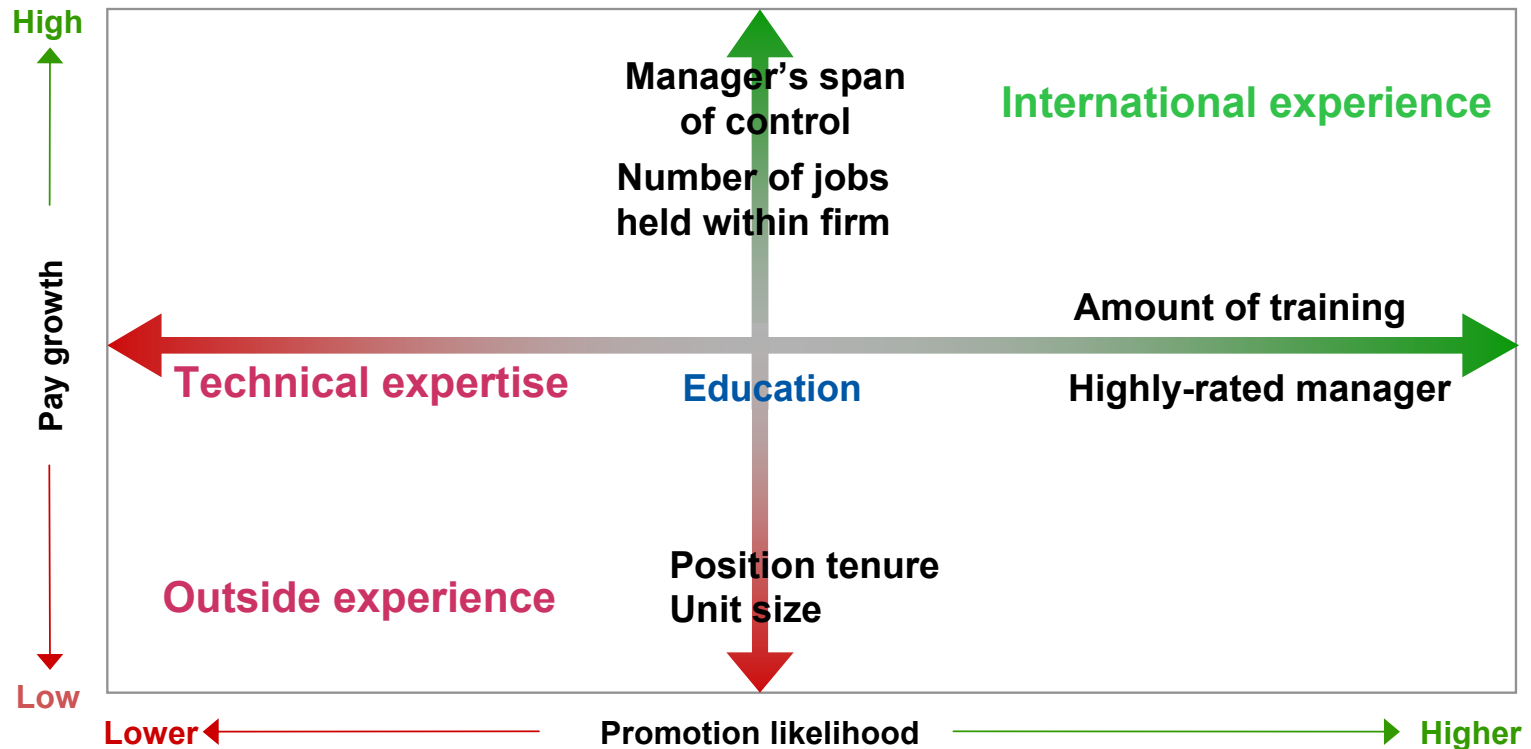


Metrics and Analysis: Sources for information and measures

- Employee surveys, interviews, focus groups, etc.
 - current and former expatriates
 - views on pre, during and post assignment, and quality of vendor services
- The running record of employee experiences
 - promotions
 - career mobility
 - pay growth
 - turnover
- Business performance
 - profitability of assignments
 - growth of customers
 - quality of projects

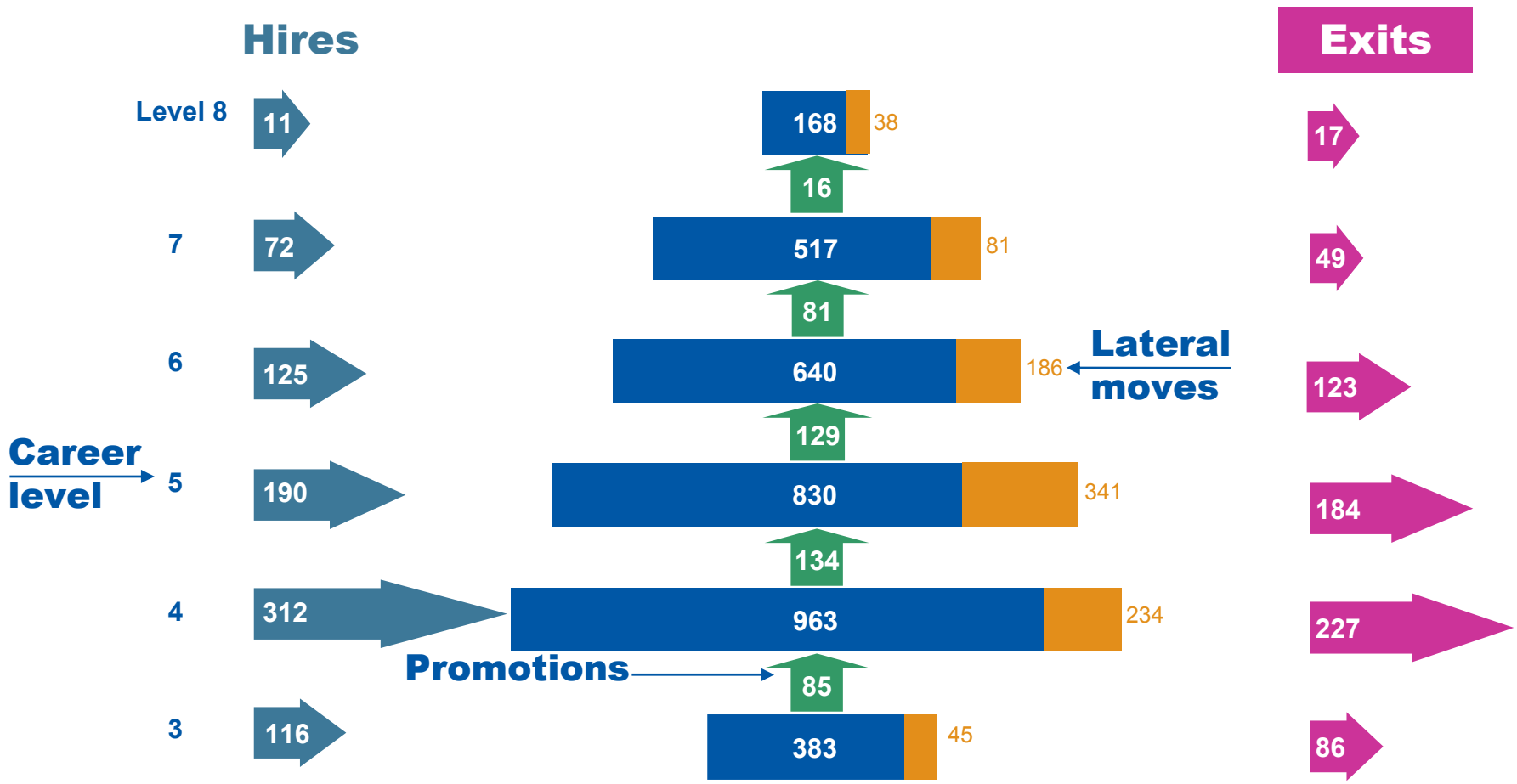
Metrics and Analysis:

Are individuals who take an expat assignment more successful and/or have greater career opportunities than those who don't?

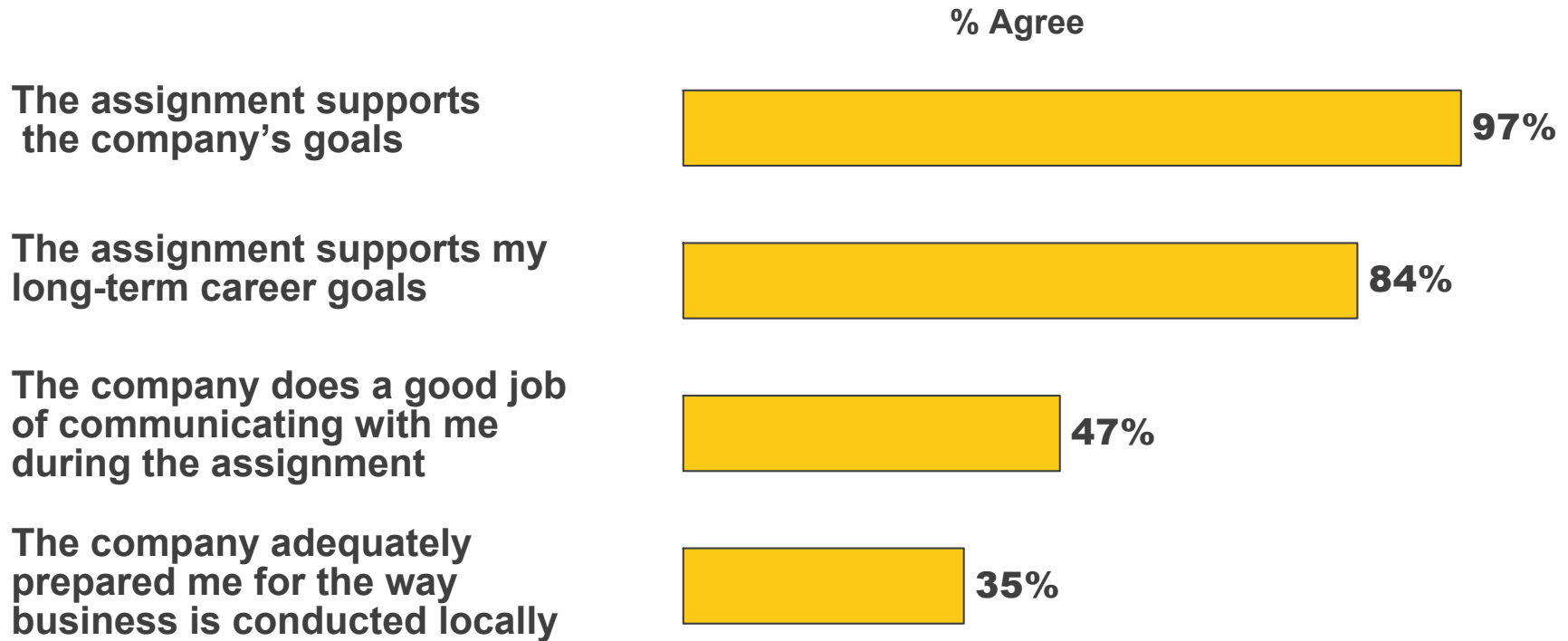


Disguised client example

Metrics and Analysis: the flows that determine what your workforce looks like



Metrics and Analysis: What is the overall expatriate experience? How are various vendors viewed? How do expats feel about the repatriation experience?



Disguised client exam

Four areas to consider for in-house knowledge Methodologies



4. Methodologies

Methodologies: Why do companies review international assignment policies and processes

- To be more competitive
 - Ability to attract or retain dissatisfied expatriates
- Pressure to reduce cost
 - Pressure from management and regions leads to side stepping policy
 - Administration is costly
- Need to review processes, improve buy in
 - Responsibilities, ease or improve administration, communication
- **Growing complexity of the business needs**
 - **Regional transfers**
 - **Global inequities**
 - **Mix of nationalities**

Methodologies - Cost of Living Index

More than a number – a message

- Home based cost of living index methodology
 - Is it a realistic option when you need to transfer employees from many different nationalities
- Host based cost of living index methodology
 - In other words, we survey the living patterns of the expatriate in the host country
- A home and host based cost of living index methodology
 - Will always be related to the two cities being compared
 - Do you feel that supporting a home country mindset and an expatriate mindset in the host country is the right message for your expatriates
 - How sustainable economically?
- International based cost of living index methodology
 - Compares the same basket in all locations
 - Consistency in quality of items, brands and stores
 - Aligned with vision to build global managers

Methodologies: A quick look at cost of living differential allowances (COLA)

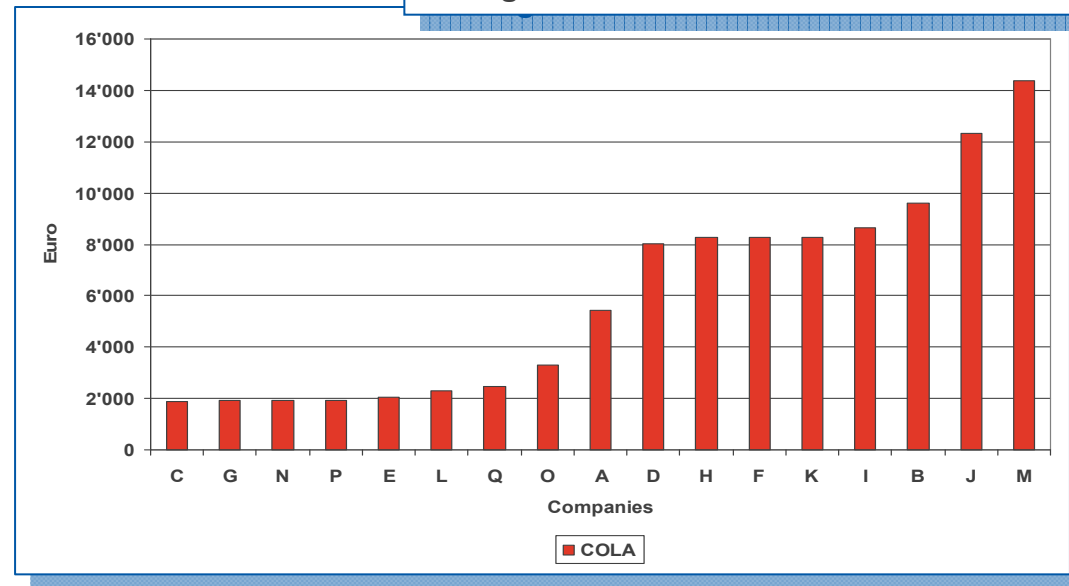
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Variation in net value of COLA

Based on:

- same salary
- same host / home combination
- same family size

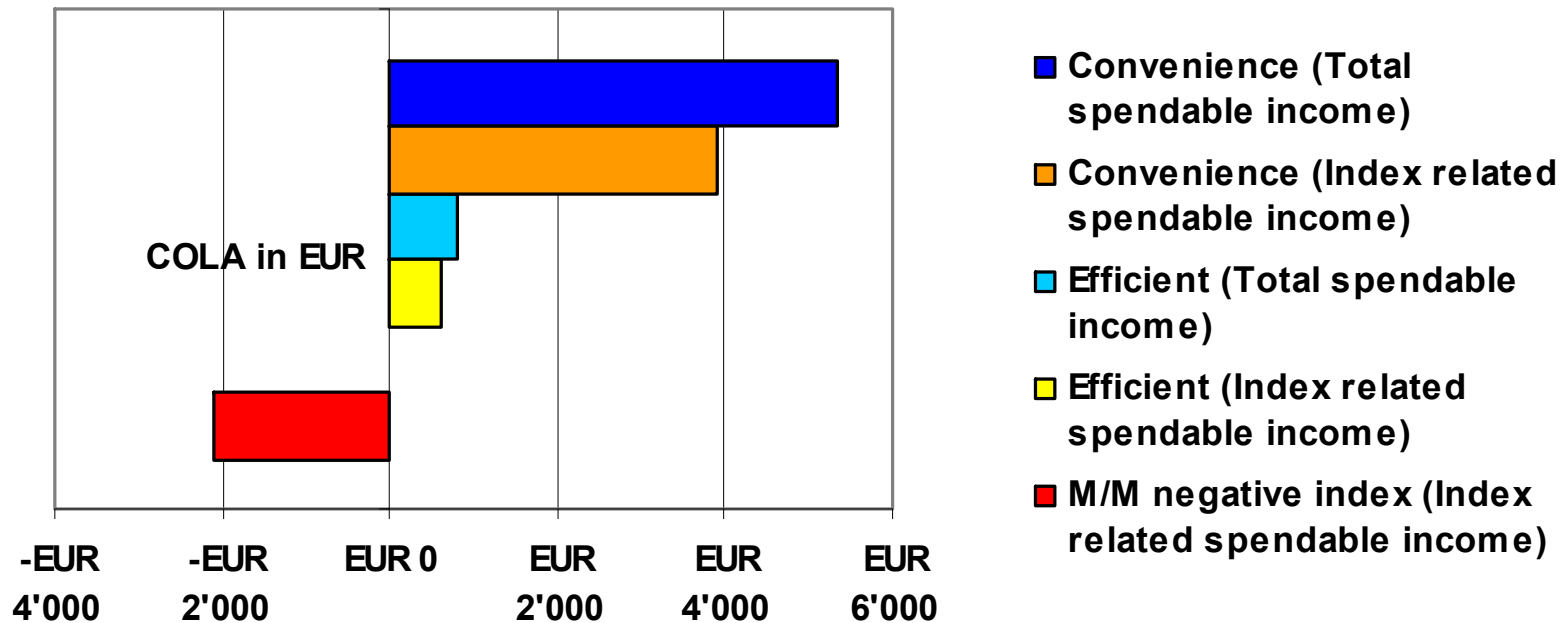
Comparative annual value of Cost-of-Living allowance



Based on a Frankfurt to Paris, €100,000 gross base salary and family of 4

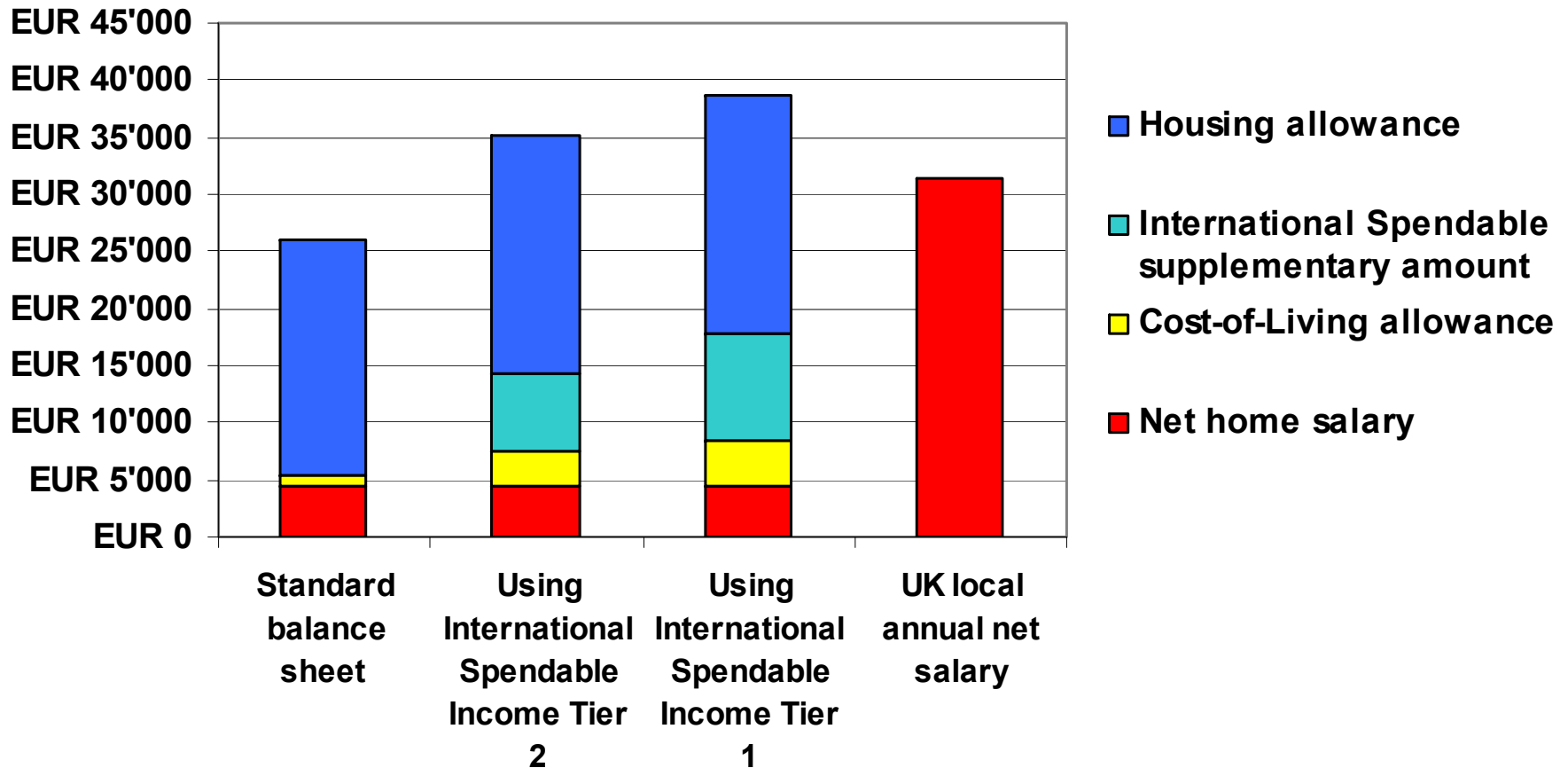
Cost of Living Allowances – Different ways to apply it

Example Amsterdam – Abu Dhabi, €100'000 base salary , married + 2



Expatriate compensation packages comparison

Mumbai – London, March 2009, Single Technician level



5 good reasons why in-house knowledge is a good investment?

- **It is the only way you can contribute in a strategic way:**
 - Provide fact based and effective reporting
 - Bring insights about the program and what it does
- **It is the only way you can differentiate from competitors:**
 - Make it your firm's competitive advantage
- **It is the only way you can master difficult discussions with expatriates and make the point :**
 - What is the message to your expatriates?
- **It is the only way you can add value to your policy and not only costs :**
 - Use your limited resources to focus on drivers of decision making
 - ***It is the only way you can do it right...***



3. Questions and Answers

Questions and contacts



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Questions

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

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To submit a question while in half screen mode, use the Q&A panel on the bottom right-hand side of your screen.



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Our one-hour web briefings provide you with essential advice on all aspects of expatriate management.

- Whether you want to know more on expatriate allowance trends, how to choose the appropriate cost of living index, what are the challenges of paying expatriate compensation packages in home or host currency or what is the impact of applying a negative cost of living index, you will find all you need in our mobility web briefings. Recordings of past briefings are available on www.mercer.com.

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Influenza A (H1N1) Virus

- We have conducted a worldwide survey of over 400 companies looking at some of the company policies and procedures around international mobility and the virus. For survey results [click here](#)
- Updates on the situation provided by Mercer are currently available on www.mercer.com/swineflu.

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- Terminations, layoffs and downsizing have become all too common in today's turbulent economic labour market.

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