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Managing expatriates in unprecedented times Containing international assignment costs

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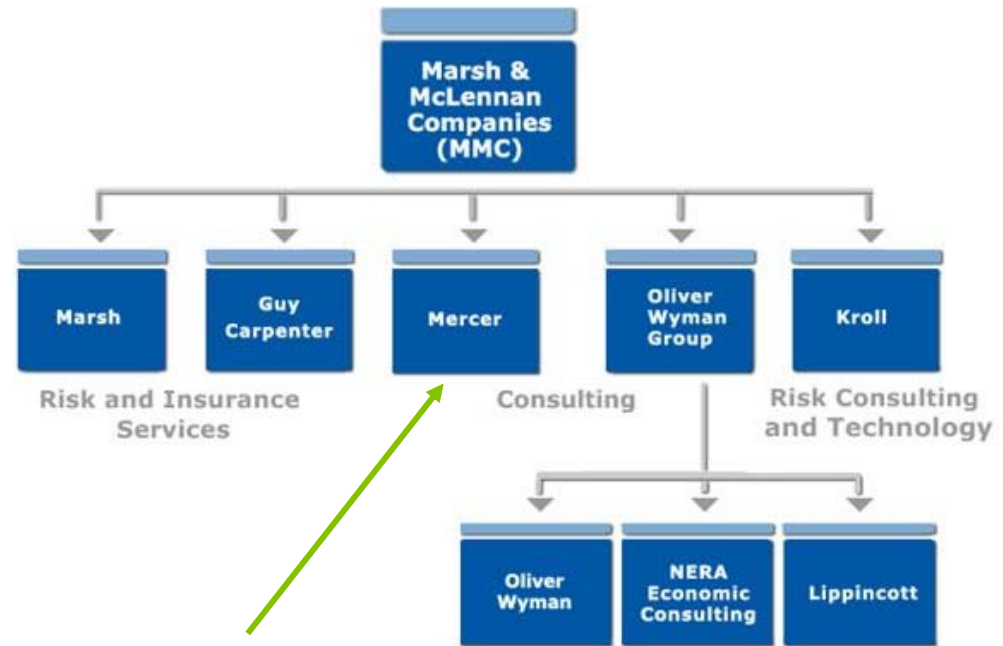


Agenda

- About Mercer
- Latest Trends
 - Mercer survey results (December and January 2009)
- Compendiums of Expatriate Compensation
 - Methodology
 - Compensation package overview
- Benchmarking Case Study
 - Introduction
 - Overview of results
 - Overview of allowances
- Mercer's Approach

About Mercer ©

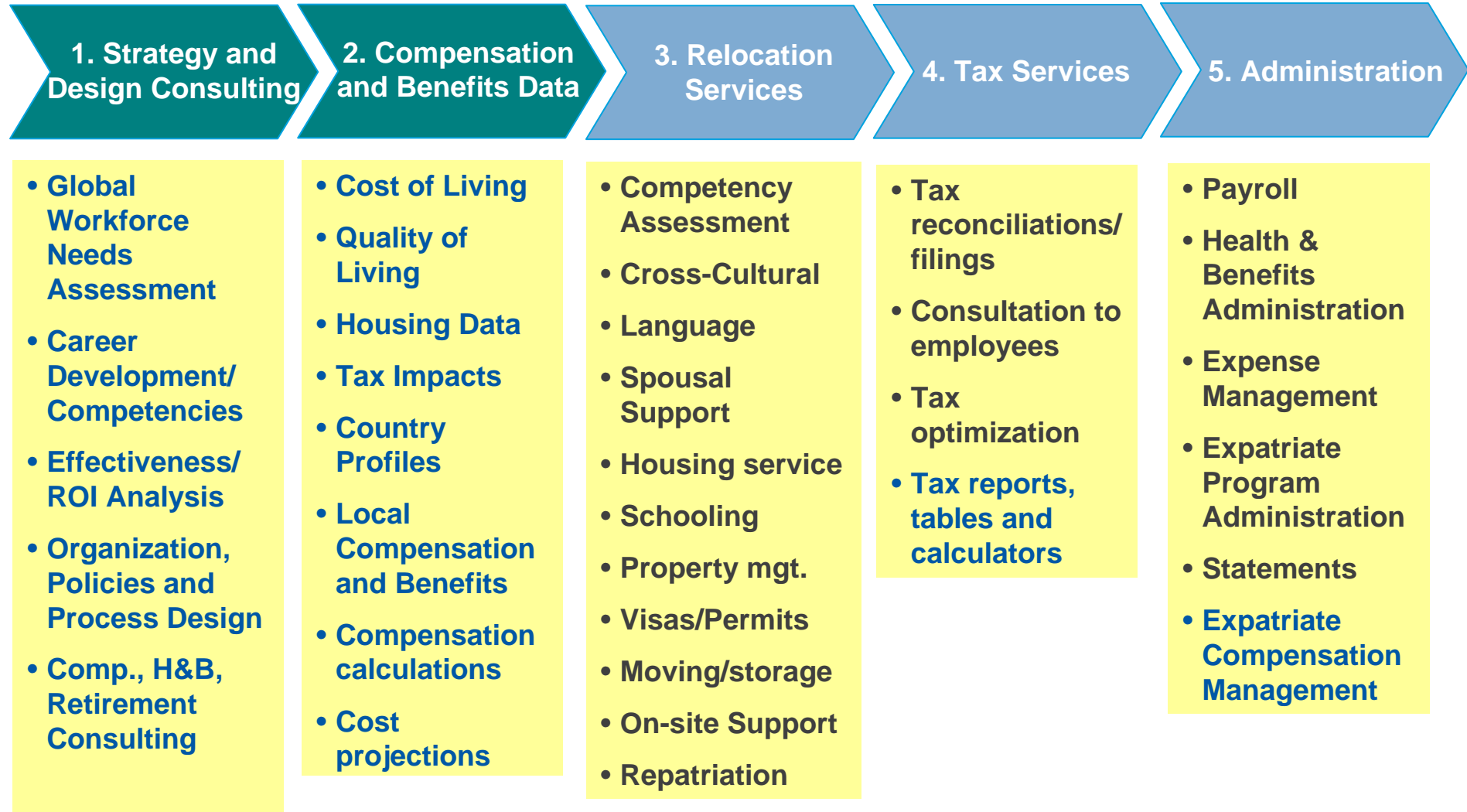
- The largest HR Consulting Company in the world with over 17,000 employees in 42 countries (180 cities)
- Recent industry recognitions:
 - Voted the "Best Employee Benefits Consulting Firm" by readers of Business Insurance magazine
 - Voted the "Consulting Firm for HR Strategy and Management" in China by *China Staff*



Mercer worldwide countries

Argentina	Denmark	Malaysia	Taiwan
Australia	Finland	Netherlands	Thailand
Austria	France	New Zealand	Turkey
Belgium	Germany	Norway	UAE
Brazil	Hong Kong	Philippines	United Kingdom
Canada	Hungary	Poland	United States
Chile	India	Portugal	Venezuela
China	Indonesia	Singapore	
Colombia	Ireland	South Korea	
Czech Republic	Italy	Spain	
	Japan	Sweden	
		Switzerland	

Global Mobility Value Chain – where is Mercer



Latest trends in expatriate compensation management in unprecedented times

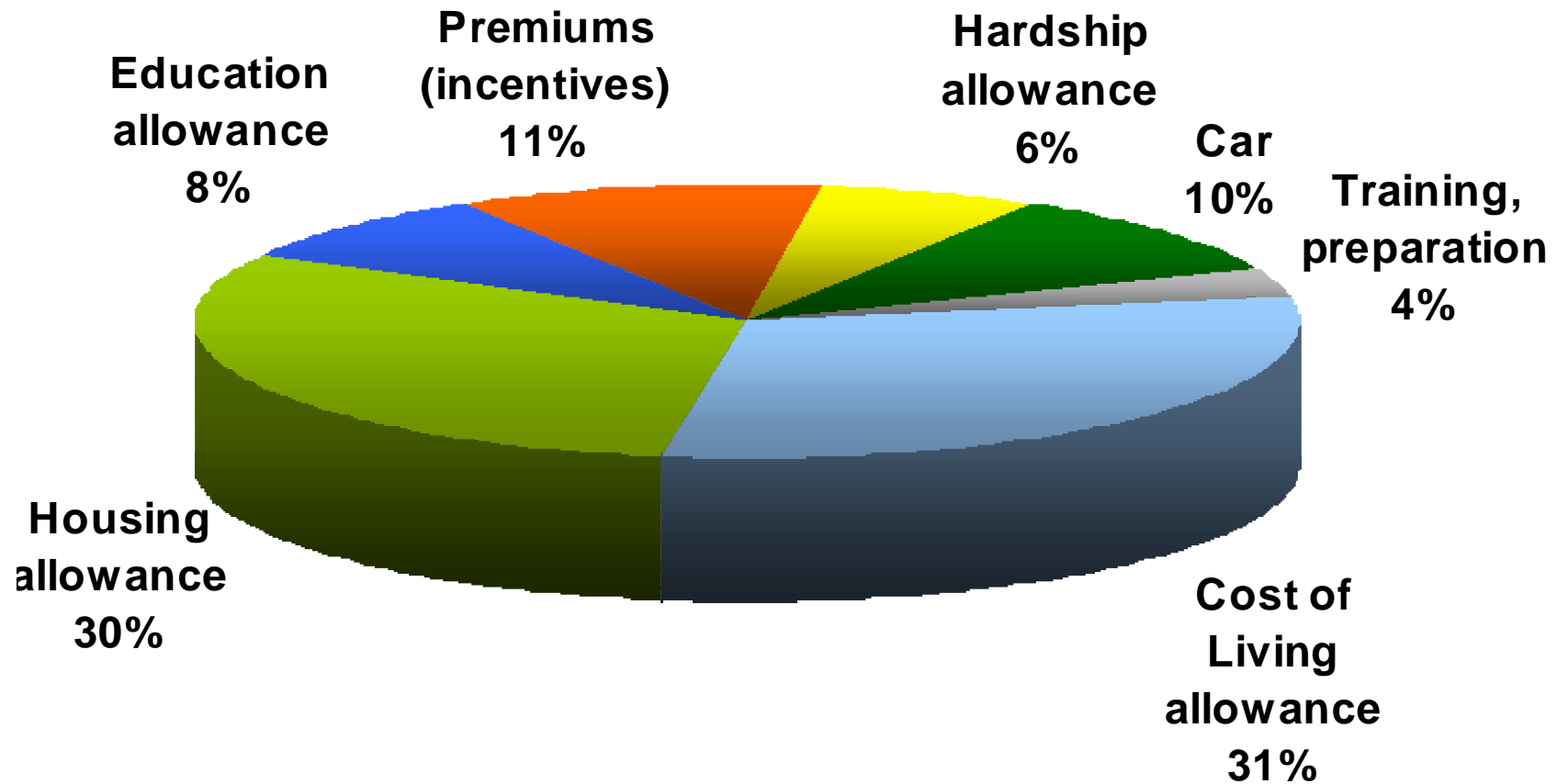
December 2008 Survey North American & European participants

- 58% of companies are NOT likely to review the international assignment programs and policies with the aim to reduce over all costs.
- 27% of companies are somewhat likely to review
- 15% of companies are very likely to review
- 70% of companies are NOT likely to reduce the number of international assignees.
- 21% of companies are somewhat likely
- 9% of companies are very likely



What is the most contentious element of the international mobility package from assignee's perspective?

Source: Webinar 29th January "The challenge of expatriate housing - managing costs and expatriates' expectations" Participant survey



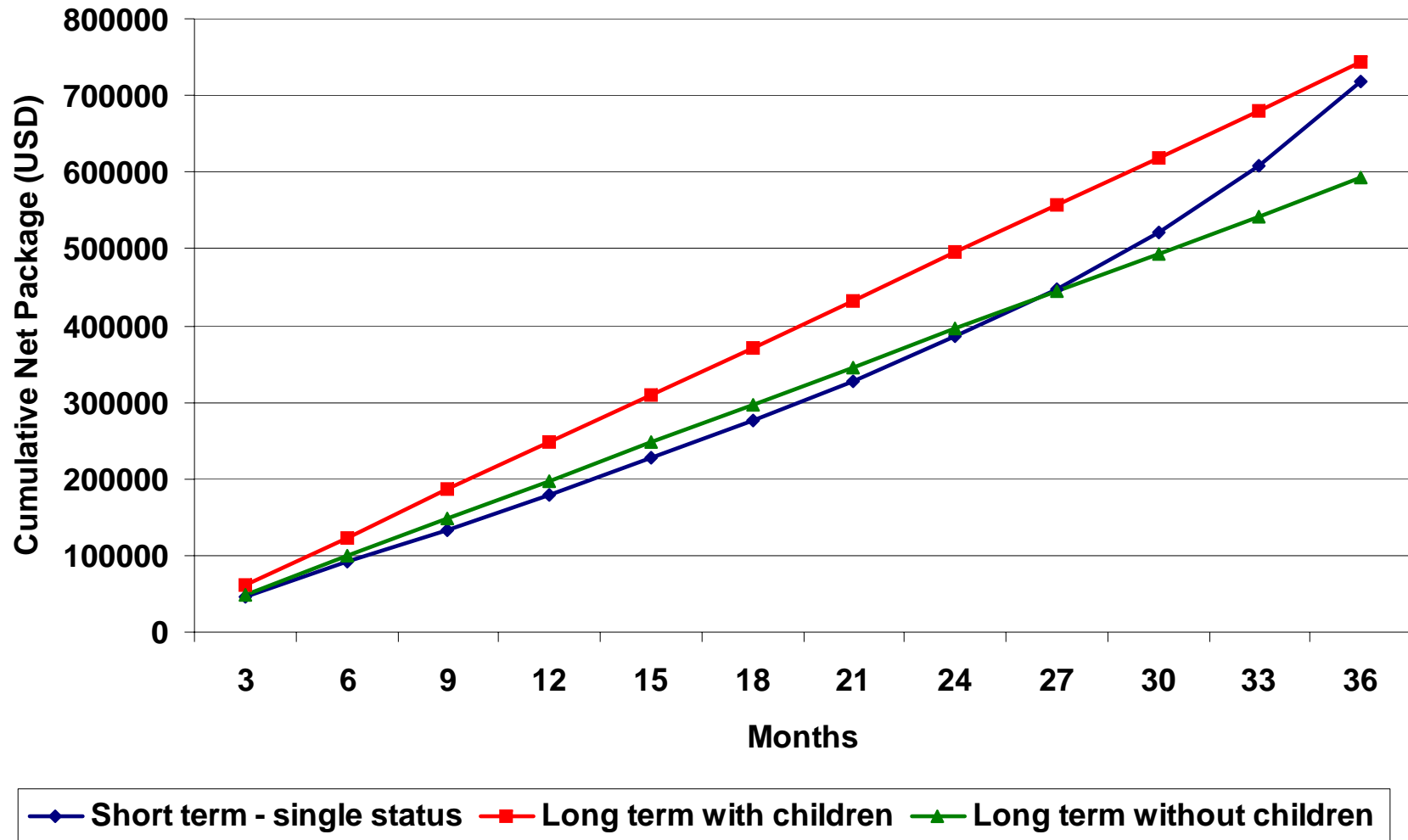
Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

As a result of economic conditions, do you envisage any of the following taking place?	All MNCs	All MNCs	European	North American
Avoid policy exceptions	137	46%	36%	64%
Localize more expatriate compensation packages (where possible)	124	41%	38%	59%
Reduce the number of medium – long term international assignees (2 to 5 years)	123	41%	28%	67%
Reduce the number of overseas assignments	102	34%	33%	63%
Consider reduction of expatriate allowance and perquisites	91	30%	42%	55%
Favor short term assignments over long term assignments	85	28%	27%	69%
Reduce the number of short term assignees (2 to 18 months)	48	16%	23%	69%
Outsource various components of expatriate management	28	9%	21%	75%
Lower the level of foreign investments	14	5%	43%	43%
Bring the expatriate management process in-house	11	4%	45%	55%

Latest trends in expatriate compensation management in unprecedented times

Short term vs. Long term assignment costs



Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Goods & Services Allowances for medium to long term assignments?	All MNCs	All MNCs
No change	193	68%
Update the Cost of Living allowance on a more regular basis	66	23%
Apply a less generous Cost of Living index to contain costs	22	8%
Switch Cost of Living provider for more cost effective data	14	5%
Start to apply negative Cost of Living allowances	8	3%
Eliminate the Cost of Living allowance	2	1%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Housing Allowances for medium to long term assignments?	All MNCs	All MNCs
No change	225	78%
Reduce the total housing budget for expatriates (i.e. revise the housing budget levels)	43	15%
Apply an expatriate minimum contribution (home housing norm deduction)	25	9%
Eliminate the housing allowance	3	1%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Education Allowances for medium to long term assignments?	All MNCs	All MNCs
No change	250	88%
Reduce the education allowance by selecting a more cost effective school alternative, i.e. good quality of local schools vs. expensive international schools	24	8%
Apply an expatriate minimum contribution (home education norm deduction)	12	4%
Eliminate the education allowance	3	1%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Hardship Allowances for medium to long term assignments?	All MNCs	All MNCs
No change	234	87%
Reduce the hardship allowance in some countries?	28	10%
Eliminate the hardship allowance	10	4%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Mobility Premium or Foreign Service Premium to long term assignments?	All MNCs	All MNCs
No change	187	68%
We have never provided a mobility premium	55	20%
Reduce the mobility premium	17	6%
We already phased it out	8	3%
Eliminate the mobility premium	6	2%
Phase out the mobility premium	4	1%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Spouse Support policy for medium to long term assignments?	All MNCs	All MNCs
No change	233	86%
Plan to introduce a spouse support policy	21	8%
Reduce the spouse support conditions	9	3%
Eliminate the spouse support	8	3%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your Pre Assignment Visit conditions for medium to long term assignments?	All MNCs	All MNCs
No change	235	83%
Must be in connection with a business trip	26	9%
Reduce the pre assignment visit conditions	21	7%
Children not able to accompany employee	16	6%
Eliminate the pre assignment visit	4	1%
Spouse not able to accompany employee	1	0%

Latest trends in expatriate compensation management in unprecedented times

Source: Participant Survey

Are you currently or in the near future looking to revise your costs of Home Leave for medium to long term assignments?	All MNCs	All MNCs
No change	224	80%
Reduce costs by change in travel class	35	13%
Reduce the frequency	27	10%
Eliminate home leave	2	1%

Check List

Containing costs of international assignments



- Put in place awareness of cost and propose alternatives
- Avoid policy exceptions
- Track assignments duration, avoid assignment extensions
- Compare what-if analysis, scenario planning
- Offer employees the opportunity to stay on assignment at lower costs (i.e. local or local + status vs. expatriate status)
- Outside the box staffing strategies
- Reduce the duration of the assignment or choose alternate short term assignment solutions where possible
- Monitor housing costs, contract renewals, put pressure on housing agencies and moving companies to find better deals for you
- Review your mobility incentives

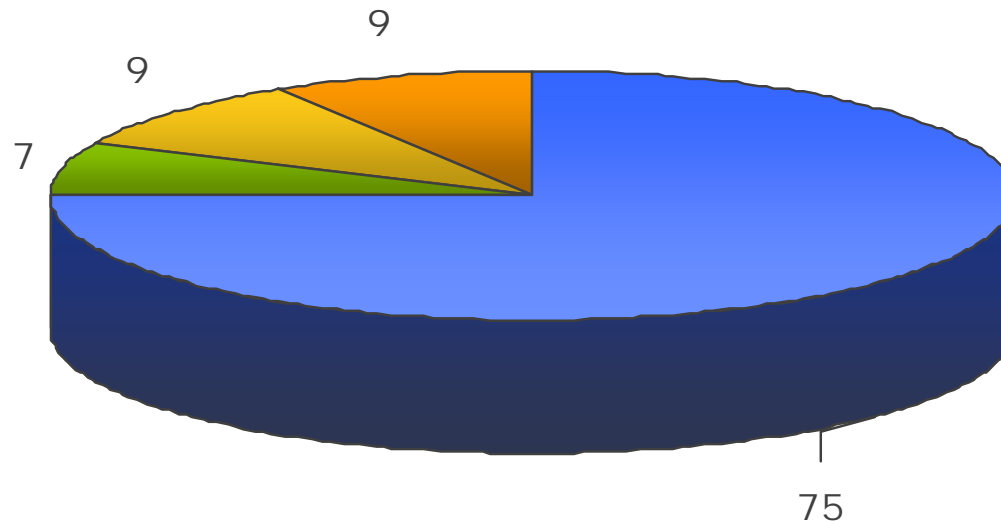


Expatriate Compensation Reports

Most firms use the home country balance sheet approach

How it works:

- In a well constructed package there should be no gain, no loss.
- BS is transparent - facilitates understanding and acceptance.

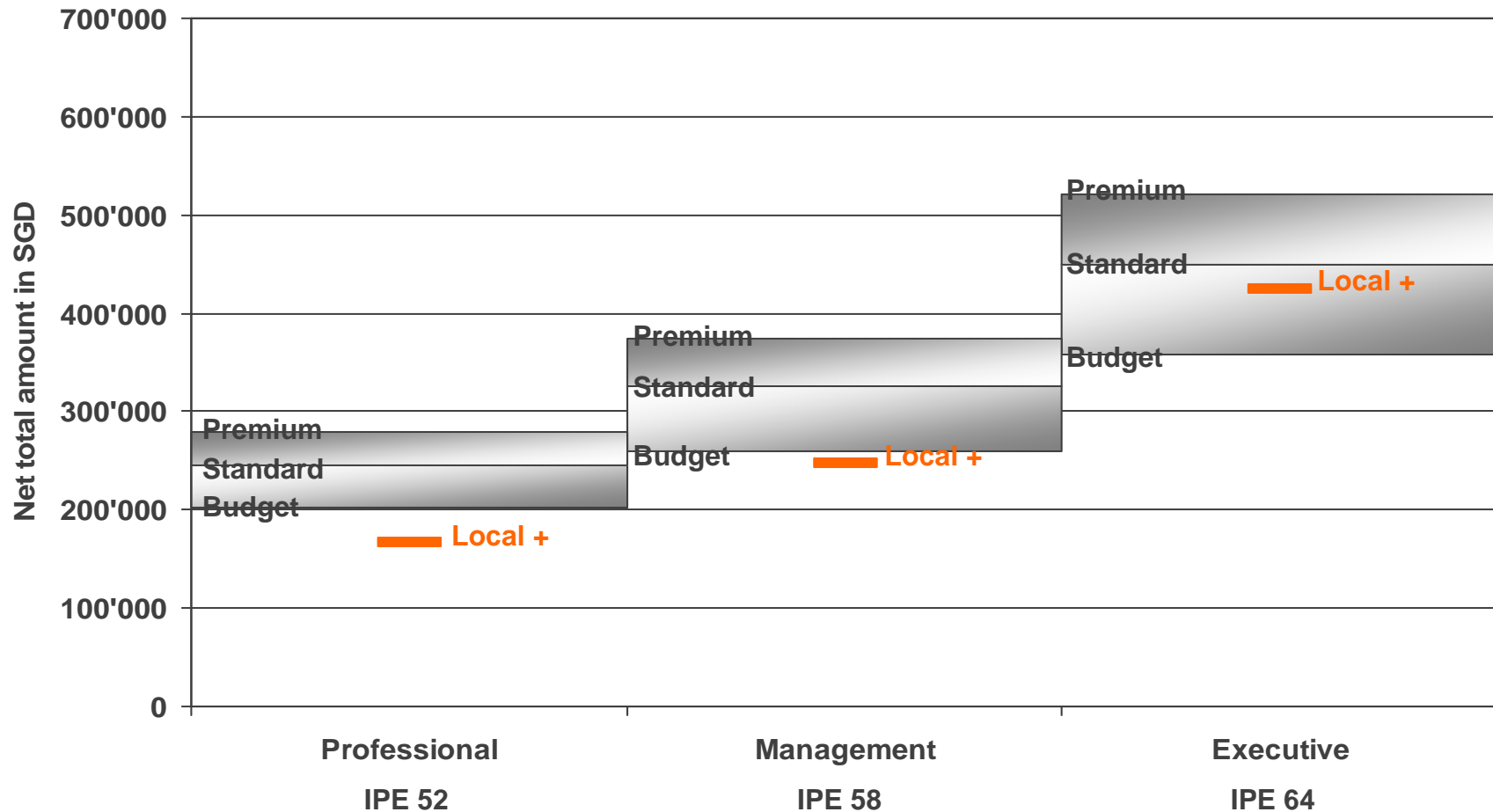


- Home country balance sheet approach
- Local Plus approach
- Hybrid Approach
- International compensation structure approach

Net Expatriate Compensation Levels in Singapore

Net base salary and recurrent allowances (M+1)

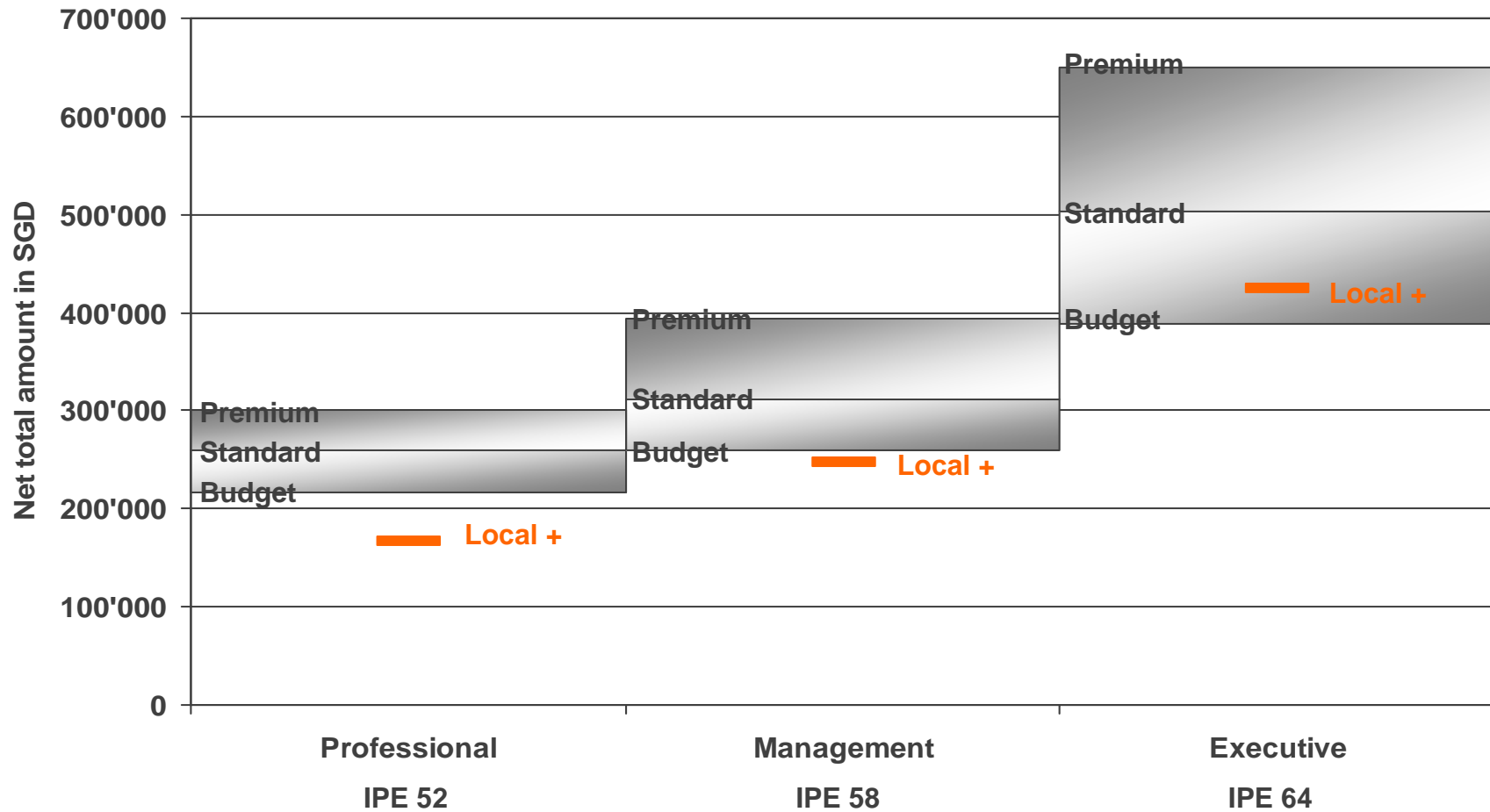
German Companies



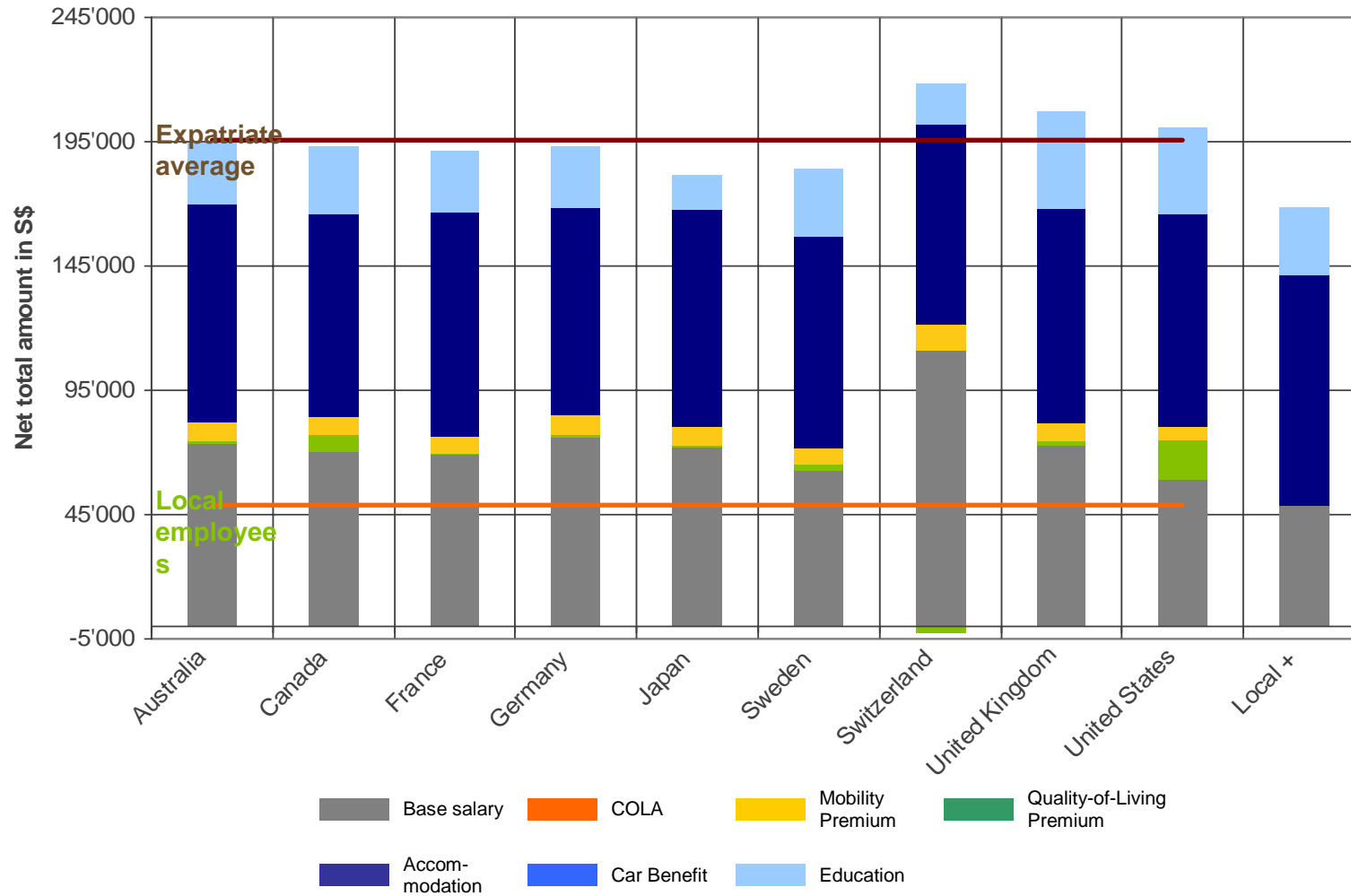
Net Expatriate Compensation Levels in Singapore

Net base salary and recurrent allowances (M+1)

United States Companies

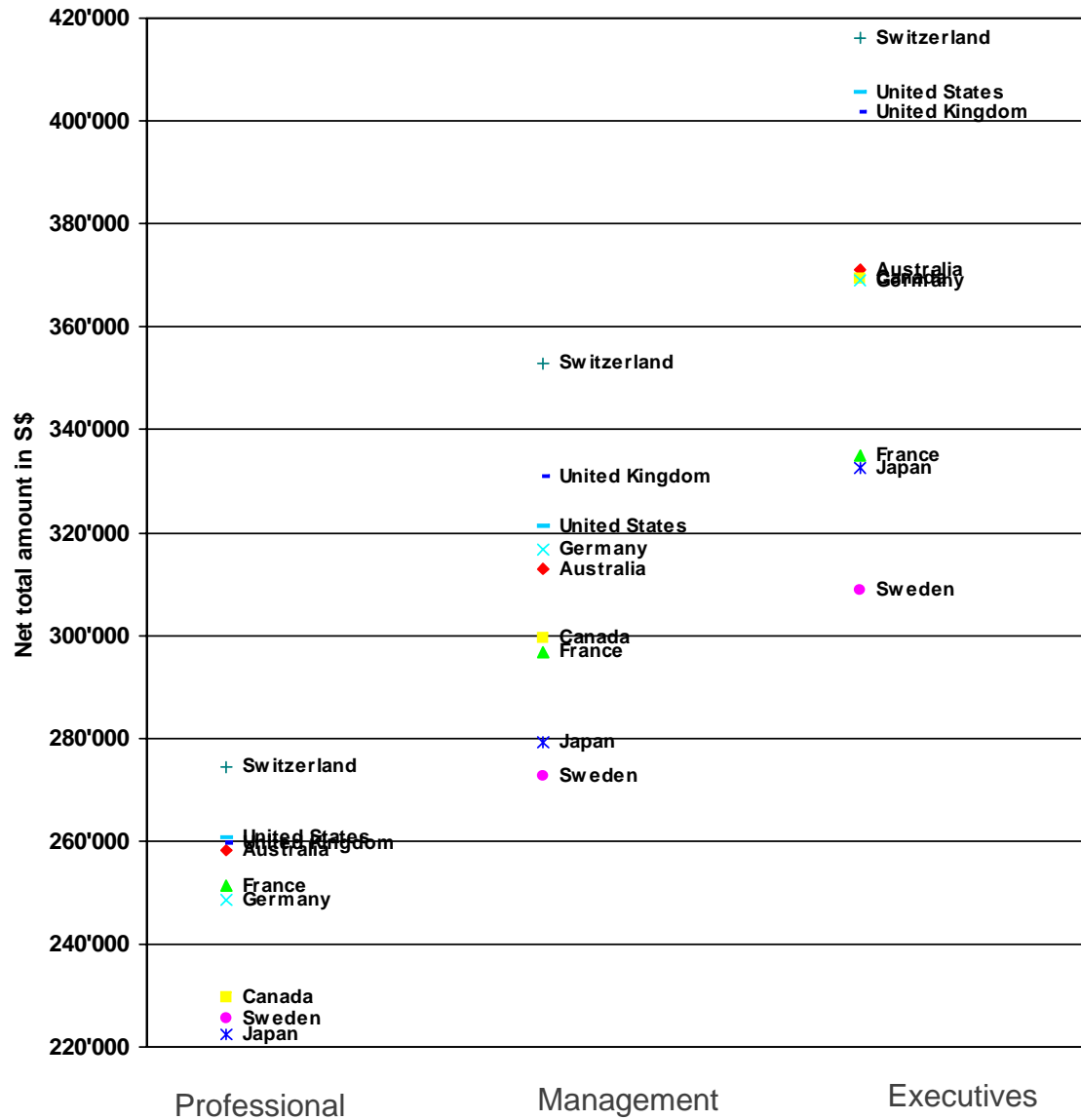


International assignment package overview by position level and policy type



Expatriate Compensation Levels - Host Country: Singapore

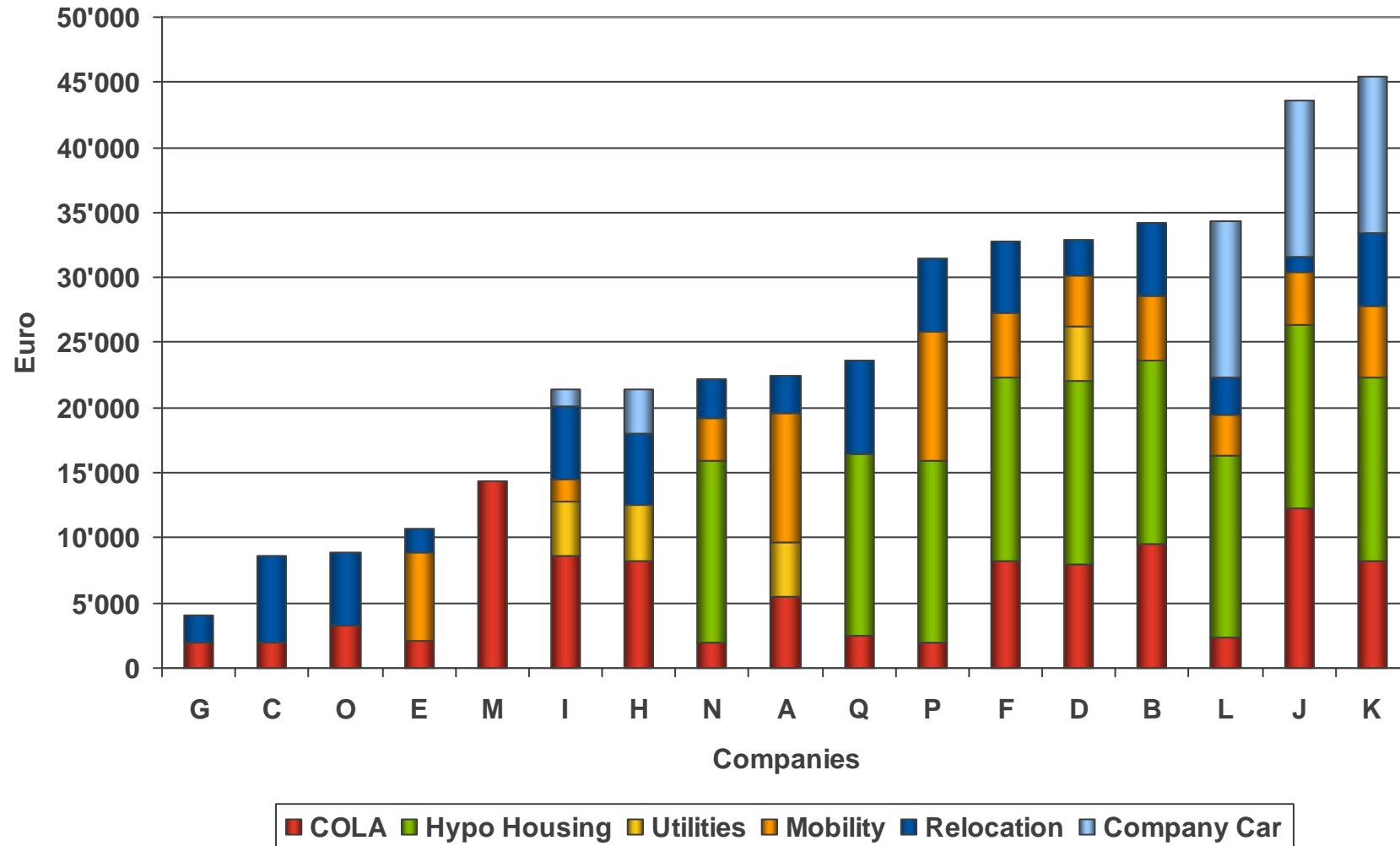
(M+1 2008 – standard package)



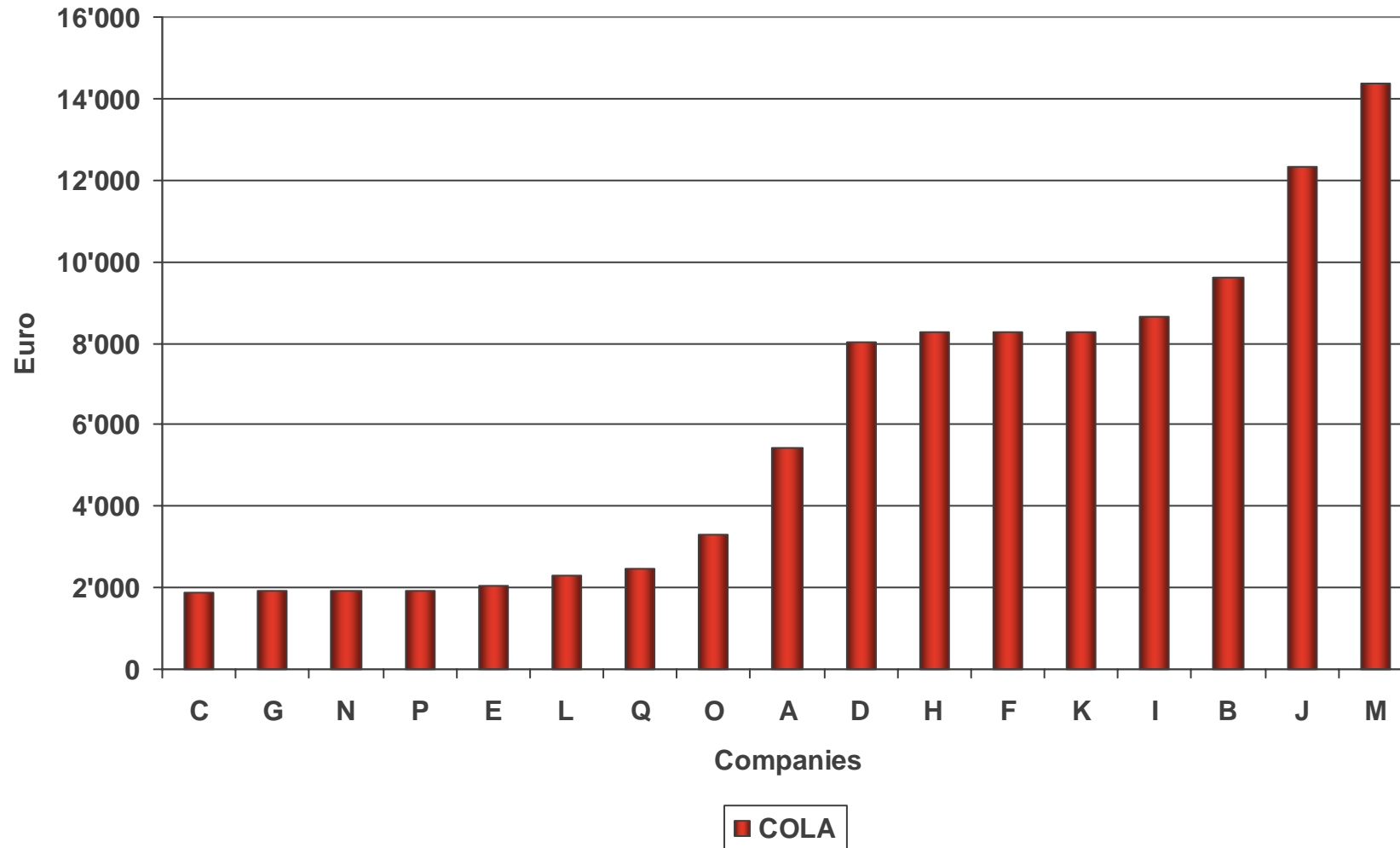


Benchmarking Case Study

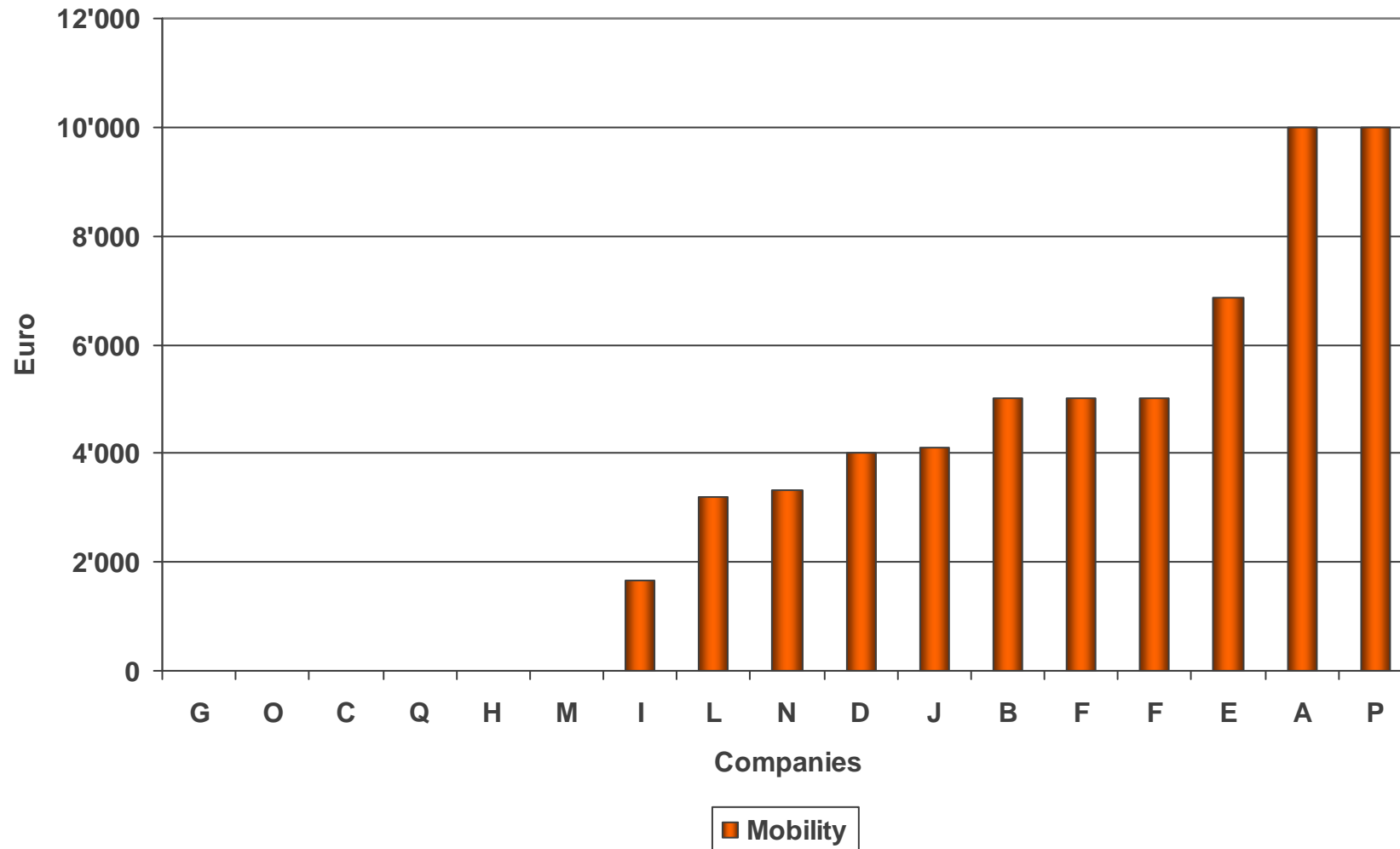
Comparative annual value of allowances – with car



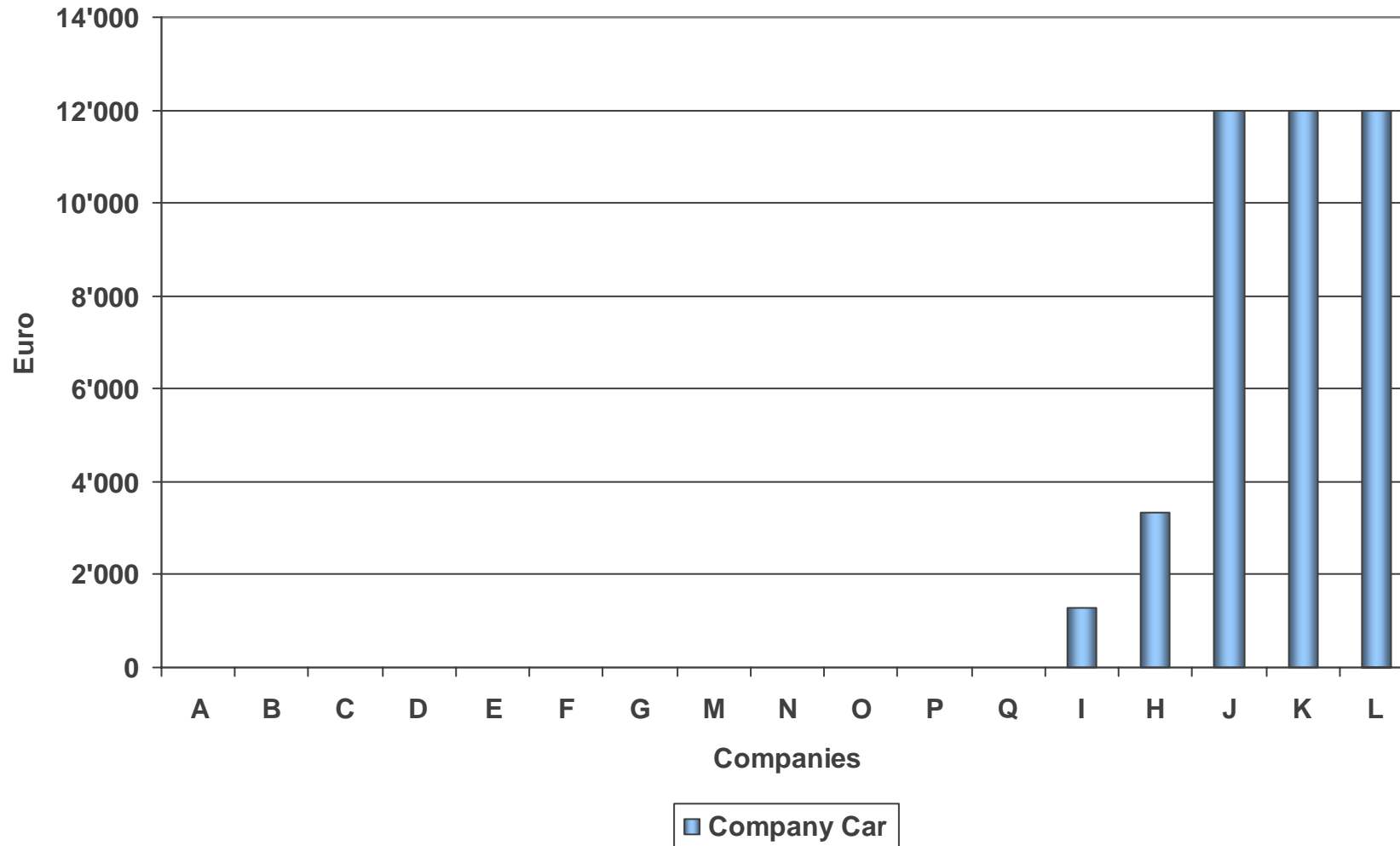
Comparative annual value of Cost-of-Living allowance



Comparative annual value of the Mobility Premium



Comparative annual value of Company Car or Allowance





Mercer's Policy Design Framework

Mercer's approach - Designing the international assignment program

Management

International business strategy
Impact on business outcomes



Workforce Perspective

Selection
Preparation
Engagement



External Benchmarking

Competitive assumptions
Lead vs. follow



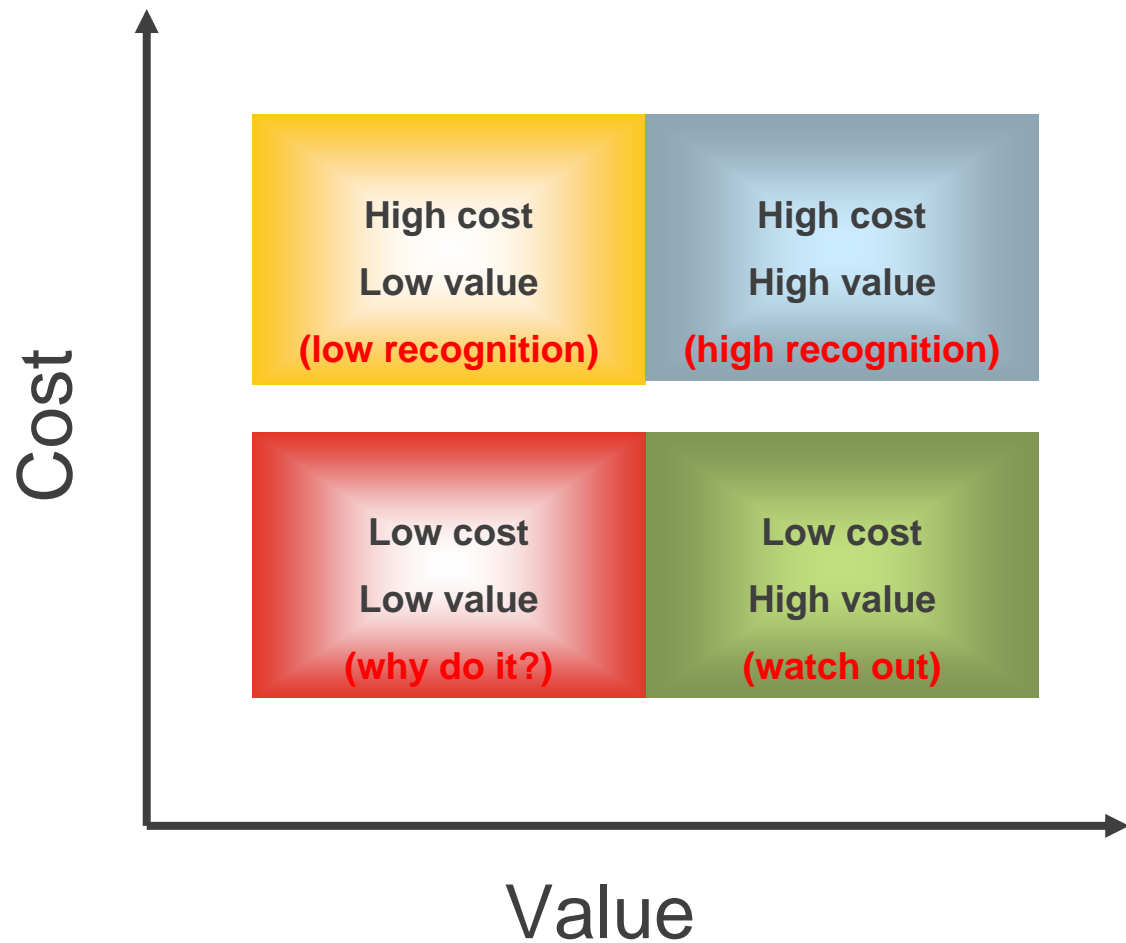
The Organization Perspective

What does your organisation require

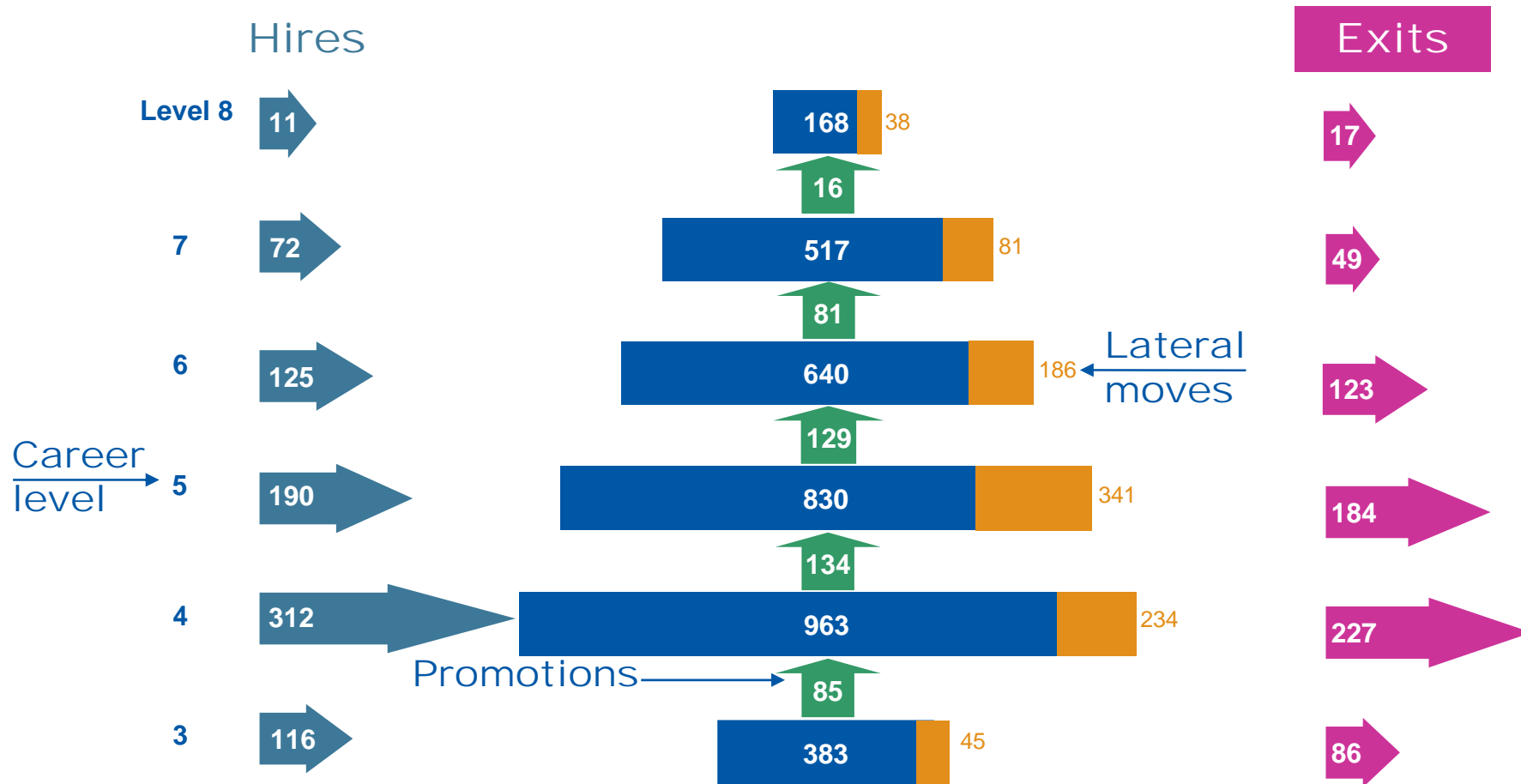


Looking at assignments through cost and value metrics

... Can you measure the value brought by assignments and differentiate assignment types?



ILM™ analysis starts by “mapping” the flows that determine what your workforce looks like



Expatriate assignments take place in a system. Assignments are but one of several practices influencing employees and the business

Questions/Answers

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2008/2009 Edition

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MARSH MERCER KROLL
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Survey of expatriate housing costs and practices in major cities worldwide



How do housing policies vary from one global region to another?

What housing-related costs do companies usually cover?

How do employers handle expatriates' purchase of accommodations?

What are the tax implications of expatriate housing for employers and employees?



Order your copy today!

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Current housing information around the world

Accommodation information across 50 cities to aid your expatriate housing decisions

Housing remains one of the most sensitive issues in the expatriate package negotiation process, primarily because of its cost but also because of its significant impact on the assignee and family. Mercer's expatriate accommodation costs information can help you make better-informed expatriate housing decisions.

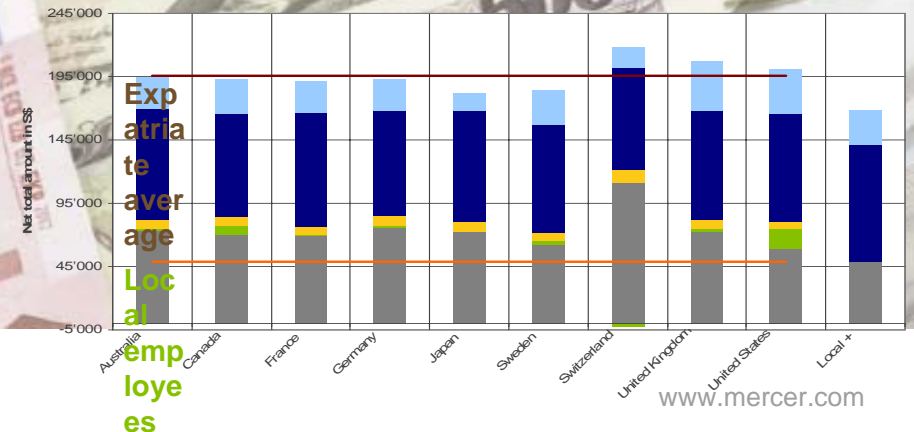
Mercer's new report, *Survey of expatriate housing costs and practices in major cities worldwide*, presents housing policies and practices as well as complete, current housing-related cost survey data to help you apply them. The report will help both decision makers and assignees with information on pricing and availability for preferred expatriate neighbourhoods in each city covered.

This 2008/2009 survey provides essential information to help you design your expatriate compensation packages. It can also help your employees relocate with confidence that housing issues will be handled effectively and fairly.



Consulting, Outsourcing, Investments.

Compendium of Expatriate Compensation in Singapore



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