

October 2010

Are commuters the way forward? Webcast

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Agenda

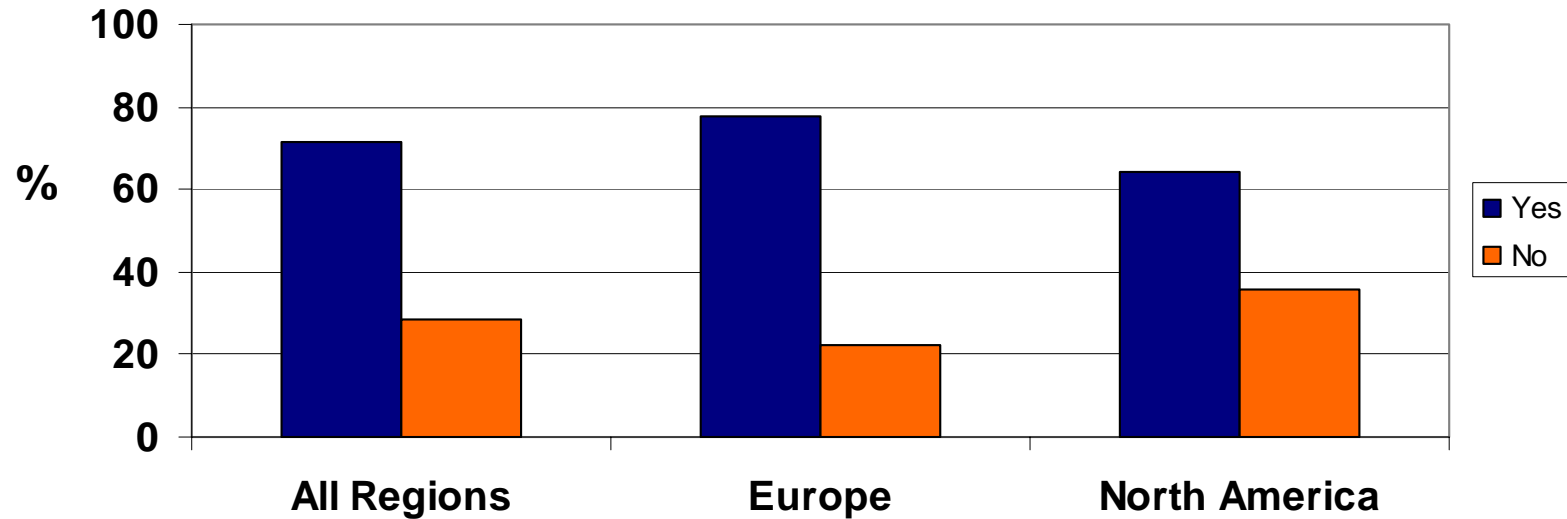
- Differences between short-term and commuter assignments
- Provide the latest company practices on benefits and allowances for these types of assignments
- Show typical compensation structures for short-term and commuter assignments

What is a “short-term assignment”?

A Short-term assignment is an assignment of three months to one year’s duration that does not usually imply a change of residence.

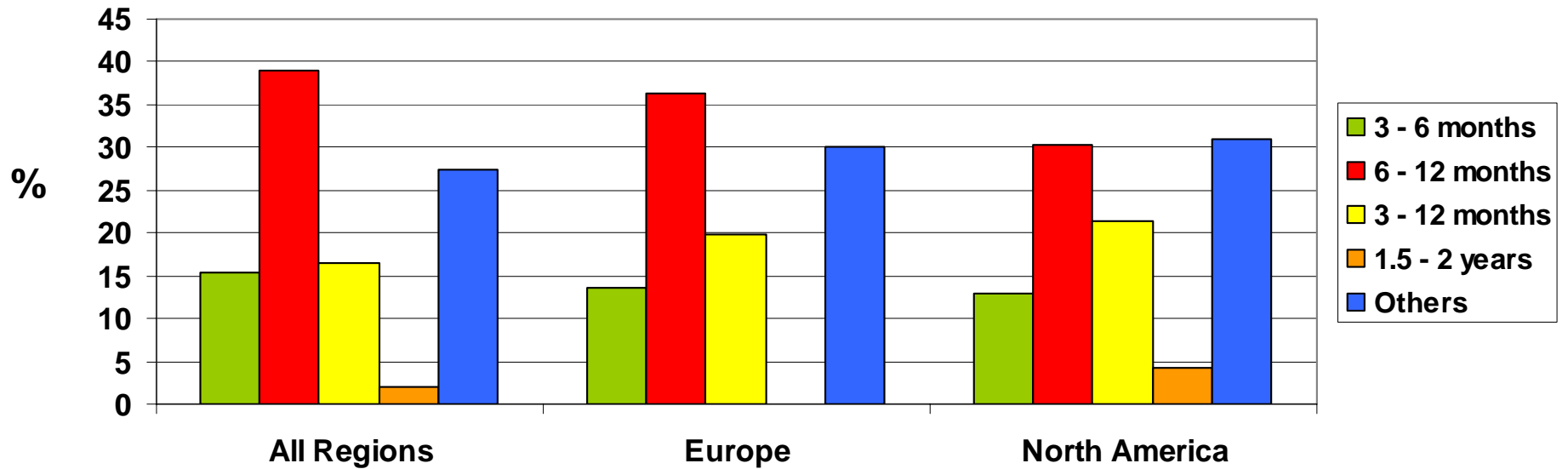
Short-term assignees are usually not accompanied by their family.

Companies having employees on short-term international assignments



%	Chemicals/Pharma/Health Care	Consumer	Energy / Engineering	Financial	Industry	IT	Professional Services	Shipping / Airlines
Yes	94,7	57,5	74,4	77,3	78,6	73,3	75	86,7
No	5,3	42,5	25,6	22,7	21,4	26,7	25	13,3

How do companies define “Short-term assignments”



%	Chemicals/Pharma/ Health Care	Consumer	Energy / Engineering	Financial	Industry	IT	Professional Services	Shipping / Airlines
3 - 6 months	5,6	13,6	16,7	25	4,8	18,2	-	23,1
6 - 12 months	38,9	27,3	53,3	37,5	38,1	36,4	-	38,5
3 - 12 months	20,5	20,5	10,8	15,4	19,5	18,7	-	6,3
1 - 1.5 years	0	0	3,3	0	4,8	0	-	15,4
1.5 - 2 years	0	9,1	0	0	4,8	0	-	0
Other	35,0	29,5	15,9	22,1	28,0	26,7	-	16,7

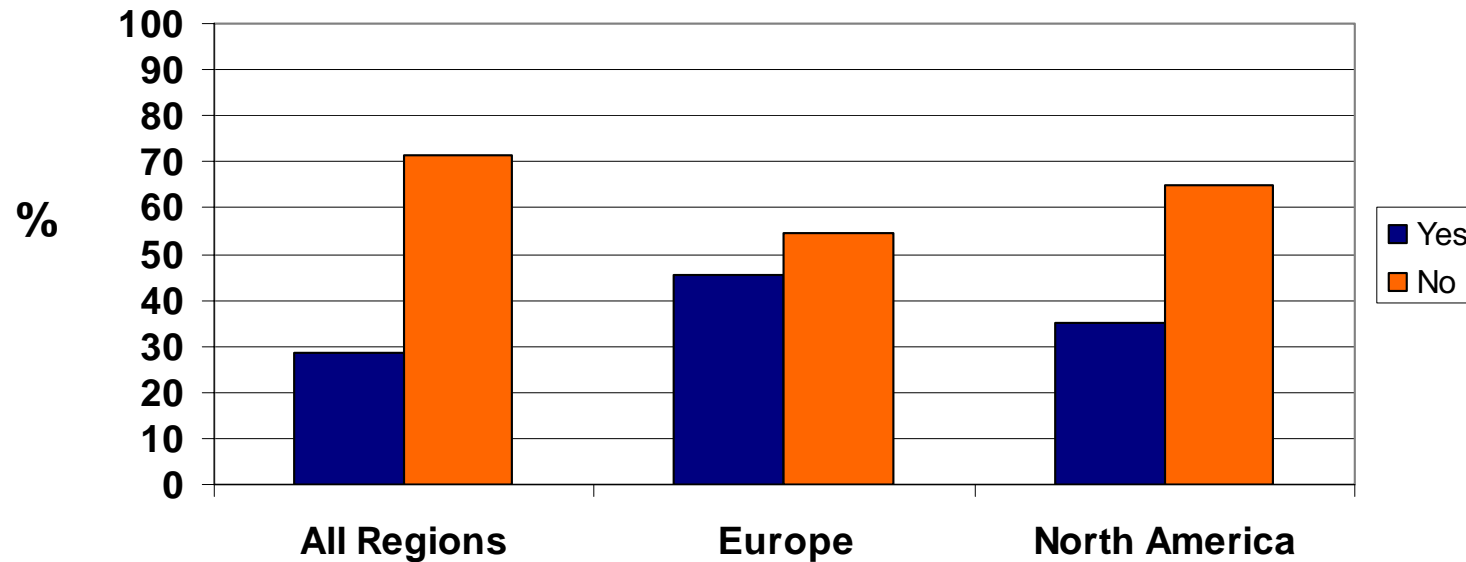
What is typically a Short-Term Assignment ?

- Usually the length of the assignment is between 3 to 12 months.
- Work duties are performed in a host country.
- Unaccompanied status, the family remains in home country.
- The employee returns to the home country every 2/3 months (depending on distance and family situation)
- Usually, the employee is supposed to return to the home country after a short-term assignment.
- Short-term assignments are typical for specific tasks and projects of limited duration (energy, engineering, construction sectors).

Who is a “commuter”?

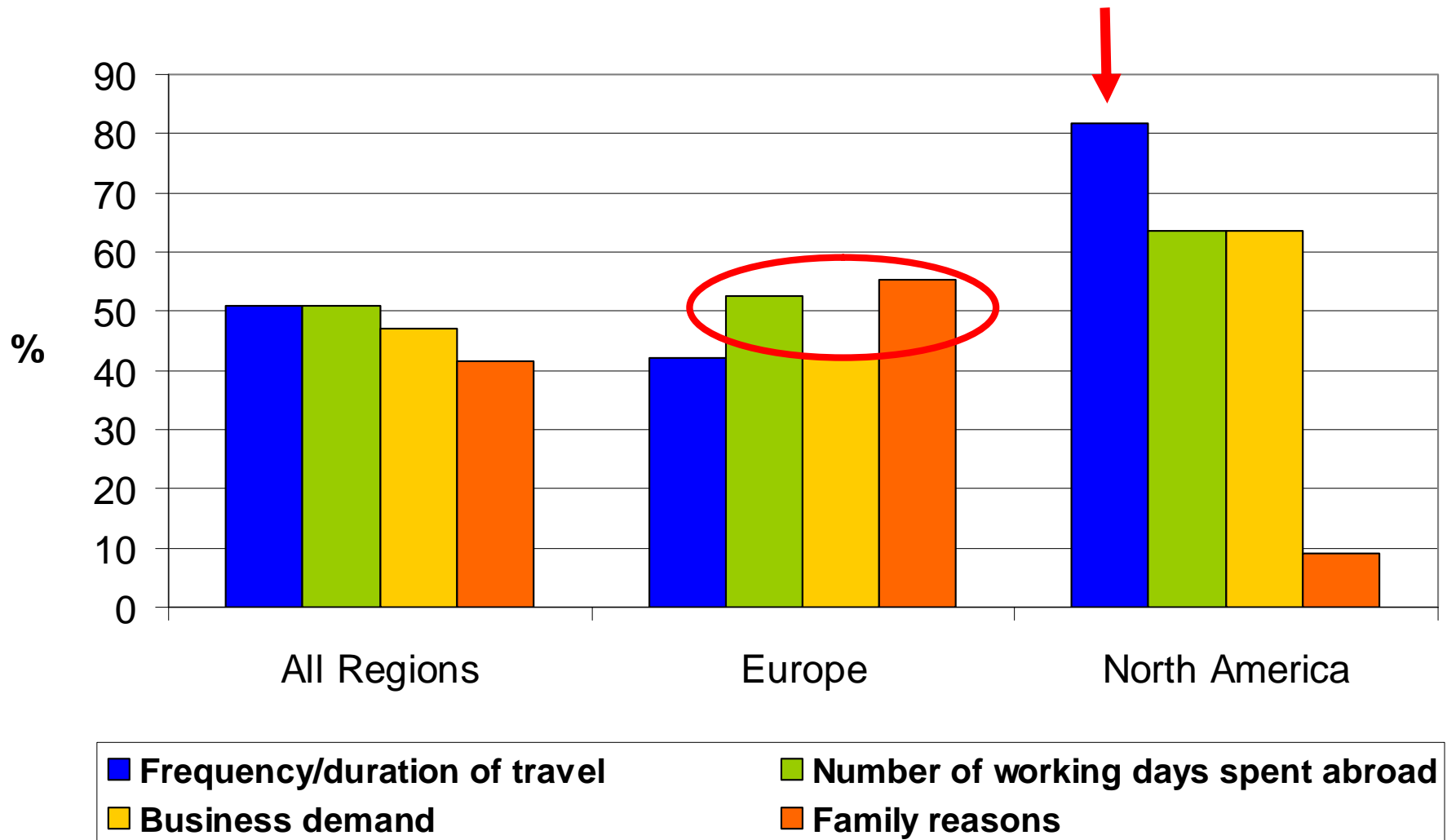
A Commuter is a person who carries out job-related tasks by commuting every week or every two weeks from the home location to a place of work in a host location while maintaining a principal residence in the home location.

Companies having employees on commuter assignments



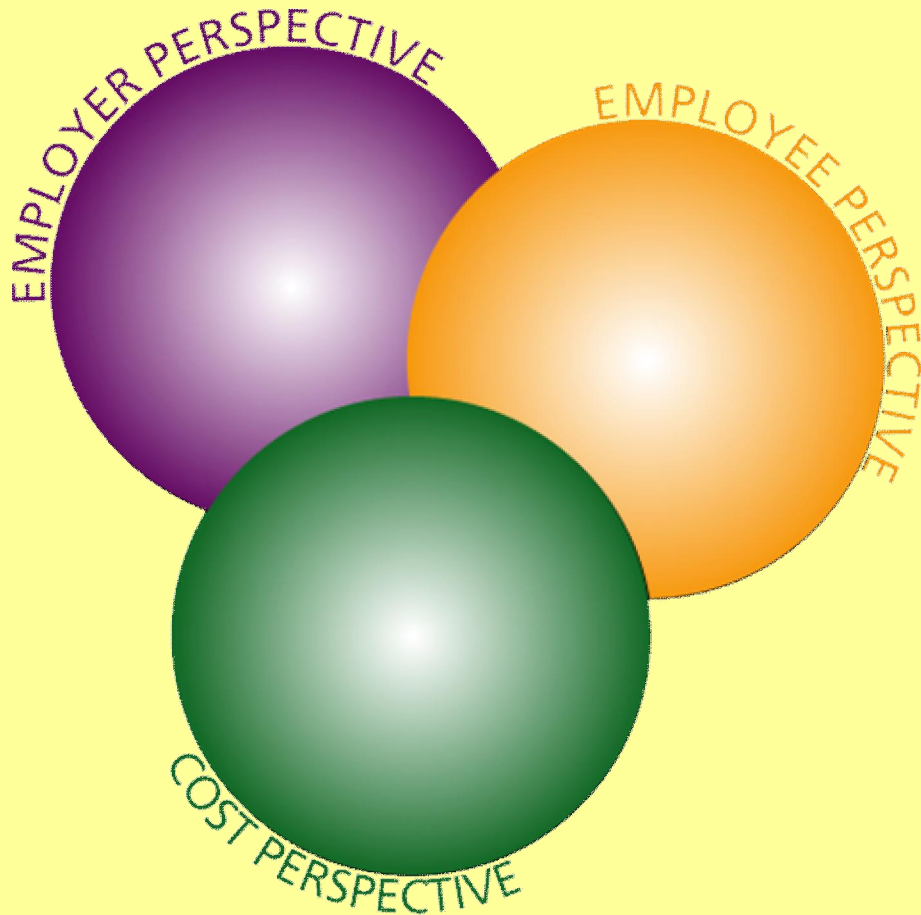
%	Chemicals/Pharma/Health Care	Consumer	Energy / Engineering	Financial	Industry	IT	Professional Services	Shipping / Airlines
Yes	38,9	38,5	20,0	52,6	23,1	15,4	25,0	28,6
No	61,1	61,5	80,0	47,4	76,9	84,6	75,0	71,4

Factors that determine a "commuter" status



Why use short-term assignments/ commuters versus long-term?

Employer, employee, cost perspectives



Employer perspective

An employee is sent on a short-term assignment because of ...

- Knowledge transfer (73%)
- Limited nature of project (67.3%)
- Client demand (50.7%)

Employee perspective

The advantage is

**Less disruptive to the family balance
but it may become a disadvantage
if the period becomes too long**

Cost perspective

**Lower costs than LTA packages
but need to keep control of assignment length
(43.4%)**

Tax compliance (41.4%)

How do companies compensate assignees on short-term and commuters assignments?

The widespread compensation approach is the **HOME BASE**, which means that an employee receives the home gross base salary and on top companies provide allowances and benefits, as follows:

- Accommodation
- Per diem or Cost of Living allowance
- Quality of Living/Hardship allowance
- Mobility Premium
- Home trip

Case Study 1: Short-Term Assignment from Rome to Paris

Assumptions

- 1 year assignment
- Home trip every 2 months
- 1 bedroom flat
- Per diem allowance

Case study 1: Short-Term Assignment from Rome to Paris

Costs calculations

1 year assignment

ALLOWANCE	Cost per unit		TOTAL COST
7 home trips, overall	160€ A/R	160€ x 7	1.120€
1 bedroom flat	1.800€ a month	1.800€ x 12 months	21.600€
Per diem allowance	58.04€	58.04€ x 335 working days	19.443€
Quality of Living allowance	0%	0	0€
TOTAL ADDITIONAL STA COSTS			42.163€
MONTHLY COST			3.514€

Case study 2 : Commuter from Rome to Paris

Assumptions

- 1 year assignment
- Home trip every weekend
- 1 bedroom flat with services or hotel
- Per diem allowance

Mercer Accommodation Table

Example: Paris

PARIS, FRANCE

Categories	Low EUR	Med EUR	High EUR	Avg EUR
Accommodation Furnished 1 bedroom, 50 - 70 sqm, cleaning and laundry services included x 1 Daily	139.00	148.40	225.00	170.80
Hotel Business hotel, single room for one night x 1 Daily	209.00	255.00	295.00	253.00

Case study 2: Commuter assignment from Rome to Paris

Costs calculation

1 year assignment

ALLOWANCE	Costs per unit		ANNUAL TOTAL
Home trip every weekend, low cost flights	160€ A/R a week	160€ x 47 weeks	7.520€
1 bedroom flat with services	2.920 € a month	2.920 x 12 months	35.040€
Per diem allowance	54.65€ a day	54.65€ x 220 working days	12.023€
TOTAL COMMUTER ASSIGNMENT ADDITIONAL COST			54.583€
MONTHLY COST			4.548€

Are commuters more cost effective ?

1 YEAR ASSIGNMENT: Rome to Paris

YEARLY ALLOWANCE	Short Term Assignment	COMMUTER
Home trips	1.120€	7.520€
Accommodation	21.600€	35.040€
Per diem allowance	19.443€	12.023€
TOTAL ADDITIONAL COST	42.163€	54.583€
MONTHLY COST	3.513€	4.548€

Case Study 3: Short-Term Assignment from Rome to Sao Paolo

Assumptions

- 6 months assignment
- 1 home trip
- 1 bedroom flat
- Per diem allowance or COLA

Mercer Accommodation Table

Example: Sao Paulo

Expatriate Accommodation Costs - Monthly Rent

March, 2010

USD 1 = BRL 1.8456

Typical price of accommodation	Table 1		Table 2		Table 3	
	BRL	USD	BRL	USD	BRL	USD
Houses						
Furnished						
3 bedrooms, 200 sqm	N.A.		N.A.		N.A.	
Unfurnished						
3 bedrooms, 200 sqm	8,000.00	4,334.63	12,000.00	6,501.95	15,000.00	8,127.44
4 bedrooms, 250 sqm	14,000.00	7,585.61	18,000.00	9,752.93	22,000.00	11,920.24
4 or more bedrooms, over 250 sqm	17,000.00	9,211.10	20,000.00	10,836.58	28,000.00	15,171.22
Name of areas for houses	<i>Aeroporto, Higienópolis, Saude</i>		<i>Campo Belo, Brooklin, Perdizes, Vila Mariana</i>		<i>Alto de Pinheiros, Granja Piana, Vila Nova Conceição</i>	
Apartments						
Furnished						
1 bedroom, 50-70 sqm	3,000.00	1,625.49	4,200.00	2,275.68	6,000.00	3,250.98
1 bedroom with services, 50-70 sqm	N.A.		N.A.		N.A.	
2 bedrooms, 80-120 sqm	5,000.00	2,709.15	7,000.00	3,792.80	10,000.00	5,418.29
3 bedrooms, 120-160 sqm	7,500.00	4,063.72	11,000.00	5,960.12	15,000.00	8,127.44
Unfurnished						
1 bedroom, 50-70 sqm	2,400.00	1,300.39	3,800.00	2,058.95	4,500.00	2,438.23
2 bedrooms, 80-120 sqm	3,500.00	1,896.40	5,500.00	2,980.06	7,000.00	3,792.80
3 bedrooms, 120-160 sqm	6,000.00	3,250.98	9,000.00	4,876.46	12,000.00	6,501.95
4 bedrooms, 160-200 sqm	10,000.00	5,418.29	15,000.00	8,127.44	22,000.00	11,920.24
4 or more bedrooms, over 200 sqm	15,000.00	8,127.44	20,000.00	10,836.58	25,000.00	13,545.73
Name of areas for apartments	<i>Alto da Boa Vista, Ibirapuera</i>		<i>Chacara Flora, Itaim Bibi, Moema, Morumbi, Jardins</i>		<i>Alto de Pinheiros, Vila Nova Conceição</i>	

Table 1: Good level of accommodation in areas popular with both locals and some international assignees

Table 2: Excellent level of accommodation in areas preferred by international assignees

Table 3: Superior level of accommodation in exclusive areas

Mercer Cost of Living Index

Rome vs. Sao Paulo

MERCER

Cost of Living Index Result

March 2010 Survey

Basket	Base City	Host City
Mercer International Basket	ROME (IT)	SAO PAULO (BR)
Date of Price Survey	01/03/2010	01/03/2010
Date of Exchange Rate	01/09/2010	01/09/2010
Exchange Rate	EUR 1 = EUR 1	EUR 1 = BRL 2.271375
Cross Rate	EUR 1 = BRL 2.271375	BRL 1 = EUR 0.440262
Previous 6 months inflation	1.25%	1.50%
Previous 12 months inflation	1.76%	3.02%

* Index Categories	Base City	M / M	Efficient	Host City	Convenience
<input checked="" type="checkbox"/> 1) Food at Home	100	95	102	117	117
<input checked="" type="checkbox"/> 2) Alcohol and Tobacco	100	159	168	180	180
<input checked="" type="checkbox"/> 3) Domestic Supplies	100	102	112	118	118
<input checked="" type="checkbox"/> 4) Personal Care	100	119	127	143	143
<input checked="" type="checkbox"/> 5) Clothing and Footwear	100	104	126	126	126
<input checked="" type="checkbox"/> 6) Home Services	100	50	53	65	65
<input checked="" type="checkbox"/> 7) Utilities	100	98	108	135	135
<input checked="" type="checkbox"/> 8) Food away from home	100	73	82	99	99
<input checked="" type="checkbox"/> 9) Transportation	100	134	140	148	148
<input checked="" type="checkbox"/> 10) Sports and Leisure	100	157	170	178	178
Total Index	100	109	119	132	132
A) Excluding Utilities	100	111	120	131	131
B) Excluding Transportation	100	104	115	128	128
C) Excluding both above	100	105	116	127	127

M / M This index compares the mean prices (average of the price of each item) in the base city to the mean prices (average of the price of each item) in the host city.

Efficient This index compares the average of the low and mid price in the base city to the mean prices (average of the price of each item) in the host city.

Convenience This index compares the average of the low and mid price in the base city to the high price in the host city, except for selected categories for which it compares mean base prices.

* **Index Categories** - Only categories that are ticked are included in the Total Index.

Mercer Quality of Living Index

Rome vs. Sao Paulo

Mercer - Quality of Living Index Result
Mercer International Basket
September 2009 Survey



* Index Categories	Base City ROME (IT)	Host City SAO PAULO (BR)
<input checked="" type="checkbox"/> Political and social environment	100	50
<input checked="" type="checkbox"/> Economic environment	100	89
<input checked="" type="checkbox"/> Socio-cultural environment	100	75
<input checked="" type="checkbox"/> Medical and health considerations	100	71
<input checked="" type="checkbox"/> Schools and education	100	80
<input checked="" type="checkbox"/> Public services and transport	100	85
<input checked="" type="checkbox"/> Recreation	100	88
<input checked="" type="checkbox"/> Consumer goods	100	99
<input checked="" type="checkbox"/> Housing	100	92
<input checked="" type="checkbox"/> Natural environment	100	90
TOTAL INDEX	100	74

Mercer Recommended Quality of Living Allowance is **17.5%** of the annual Gross salary.

Case study 3: Short-Term Assignment from Rome to Sao Paolo

Costs calculations

6 months assignment

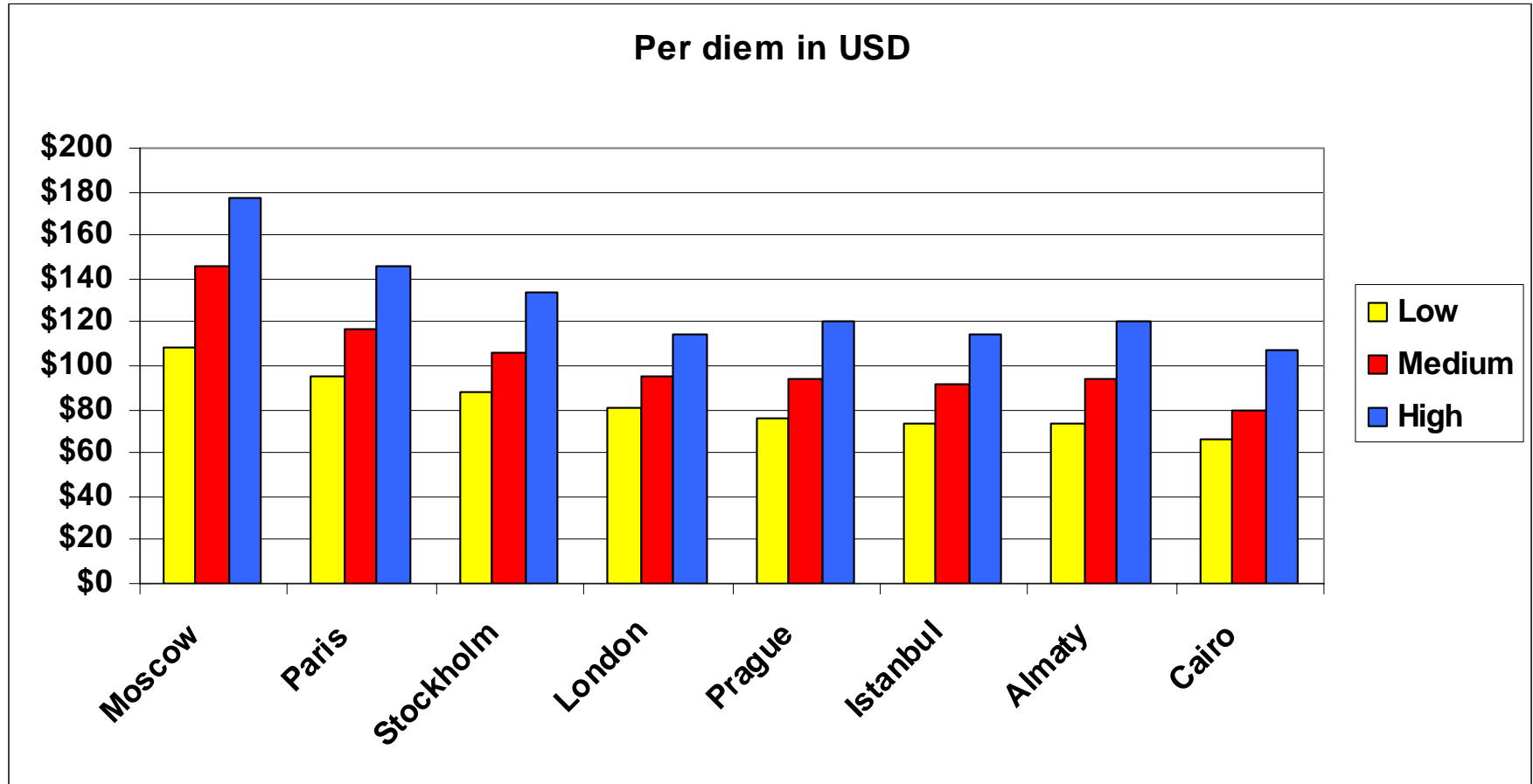
ALLOWANCE	Cost per unit		TOTAL COST
2 home trips in business class, overall	3.700€ A/R	3.700€ x 2	7.400€
1 bedroom flat	1.320€ a month	1.320€ x 6 months	7.920€
Per diem allowance	43.57.04€	43.57€ x 168 working days	7.320€
Quality of Living allowance	17.5% ABS per half year	50.000 annual gross base salary	4.375€
TOTAL ADDITIONAL STA COSTS			27.012€
MONTHLY COST			4.502€

Are commuters more cost effective than short-term assignees?

- Yes and No
- If the commuting distance is short and can be covered by company car, commuter assignments are more cost effective. However, these assignments should not exceed 2 years.
- Commuting can become more costly, when air fares/speed trains have to be paid and apartment with service is provided
- Short-Term assignments and commuters are more cost effective than Long-Term Assignments, because usually families remain in the home country and no schooling is paid.
- Tax issues may have a major impact on cost when short term assignments get extended
- There are particular regions in Europe where commuting is self initiated due to dual career and family issues
- This is particularly the case for short distances between home and host office, for example the BENLUX and Germany
- Commuter assignment often “grow” out of habit and as a consequence are treated case by case

Per diem, typical EU average, March 2010

Low, medium and high prices shown in USD



Written policy for Commuters and Short-Term Assignment Trends

COMMUTERS

- Only 20% of European companies have a written commuter policy, 6% of North American companies
- 14% of European companies are currently developing a commuter policy, 16% of North American companies
- 22% of European companies indicate that there are no specific conditions for commuters, 16 % of North American companies

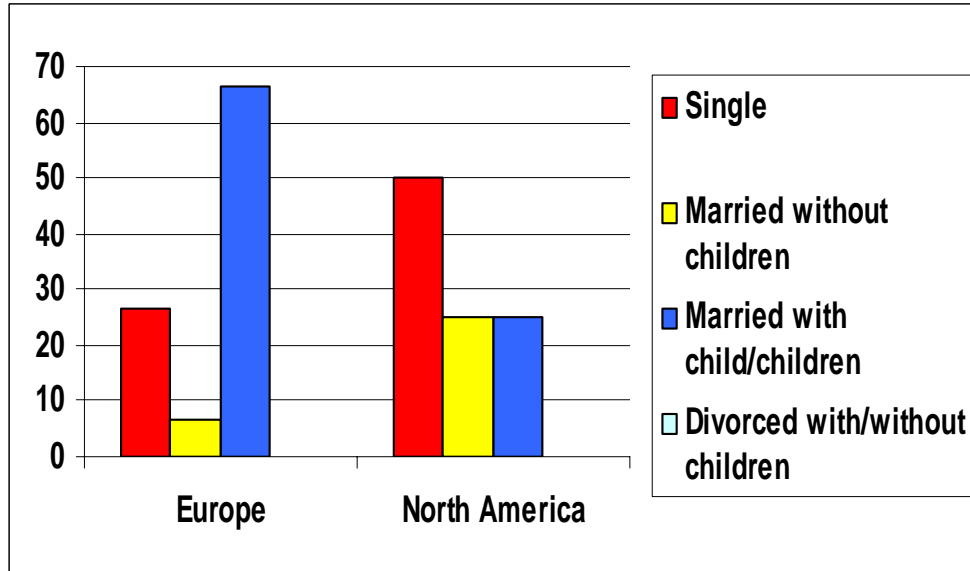
SHORT-TERM ASSIGNMENT

- 50% of European companies have a written STA policy, 28% of North American companies
- 11% of European companies are currently developing a STA policy, 21% of North American companies
- 22% of European companies indicate that STA is included in the global policy, 21 % of North American companies

The most frequent family status of assignees

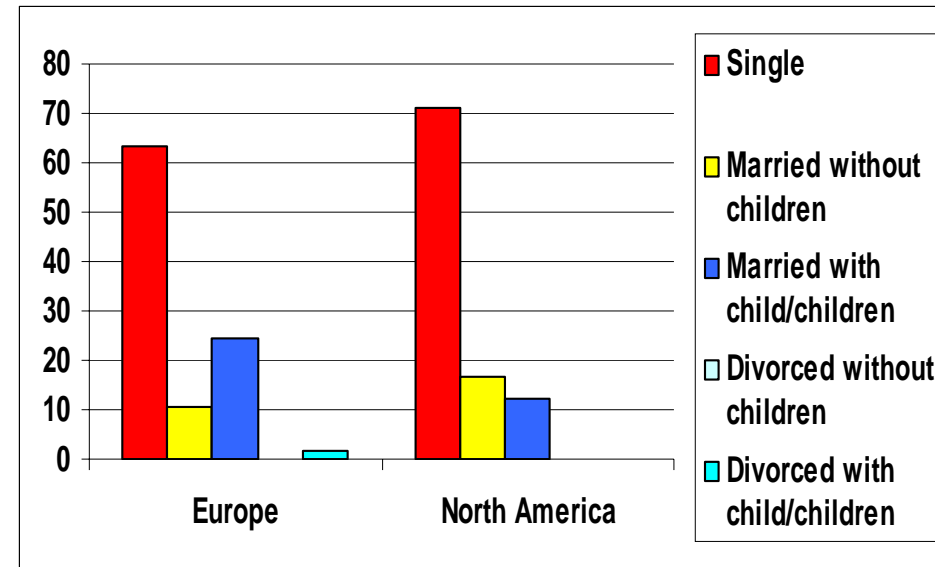
Commuters

%

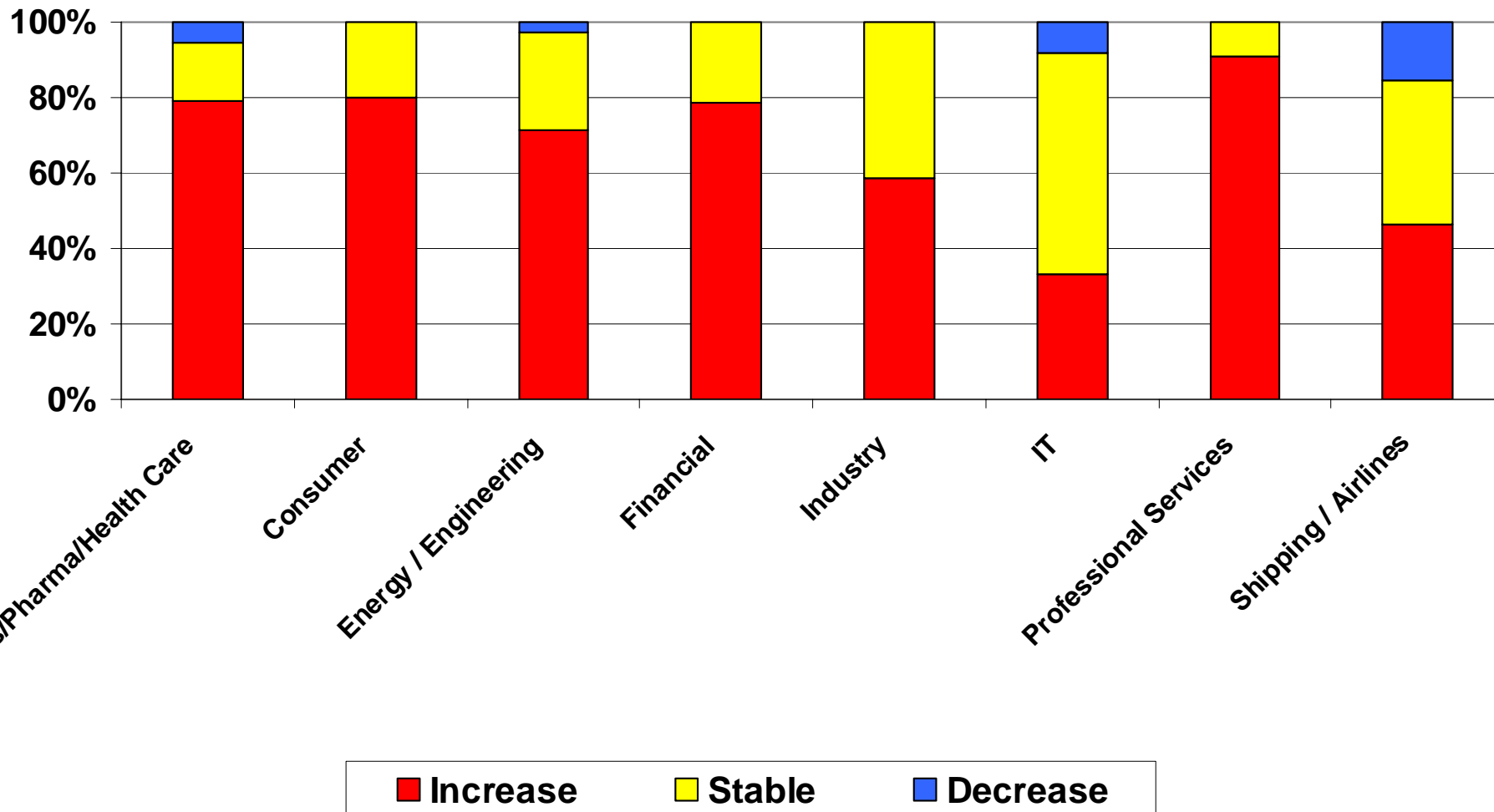


Short-Term Assignment

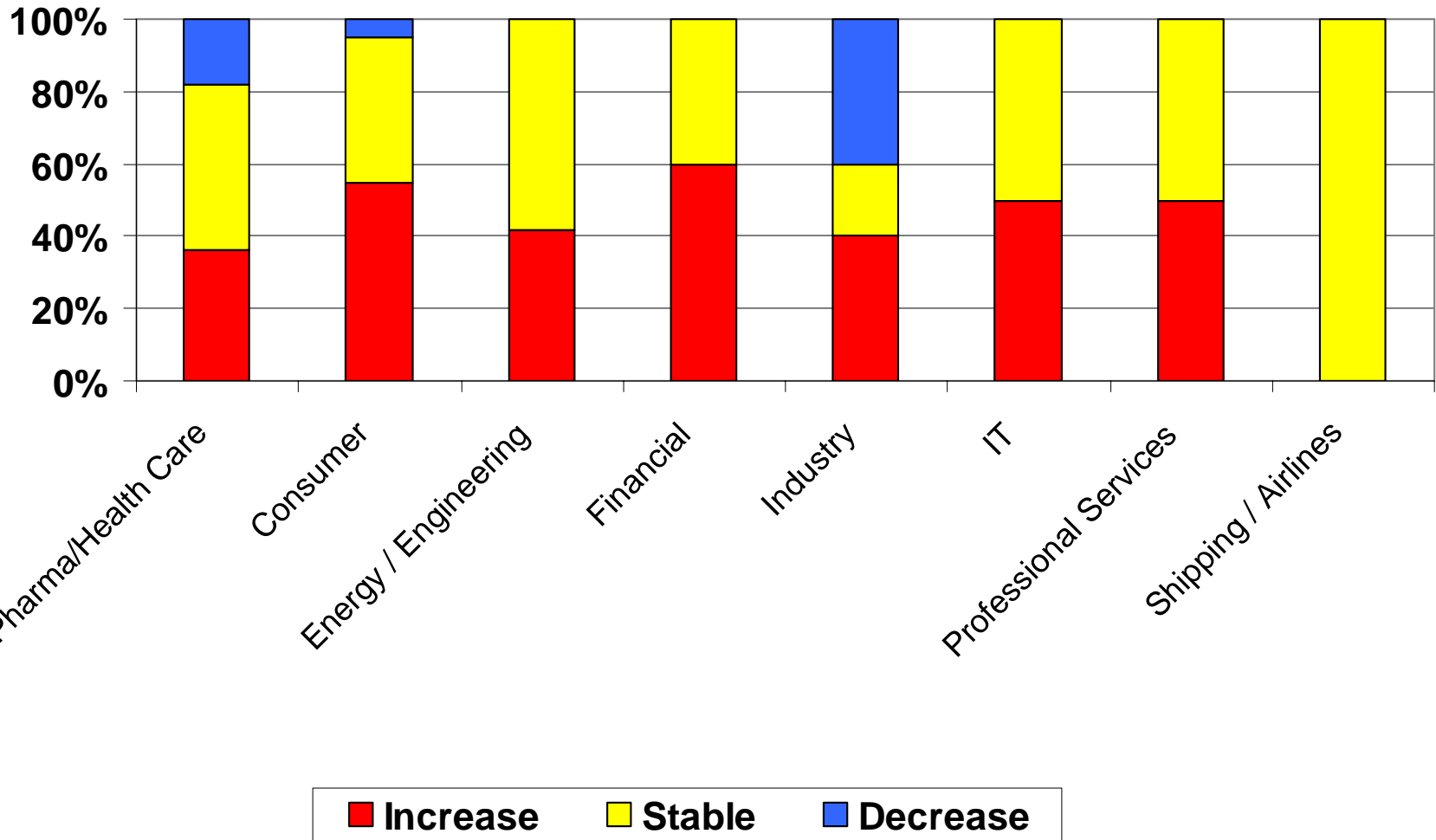
%



Short-Term Assignment trends for the next 2 years



Commuter trends for the next 2 years



Questions and contacts

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