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November 2009

Facilitating international assignment compensation management

Why is in-house knowledge critical for success?

Carlos A. Mestre, Geneva

Anne Rossier-Renaud, Geneva

Facilitating international assignment compensation management Why is in-house knowledge critical for success?



Anne Rossier-Renaud

Anne.rossier-renaud@mercer.com

Telephone: +41 22 869 3091



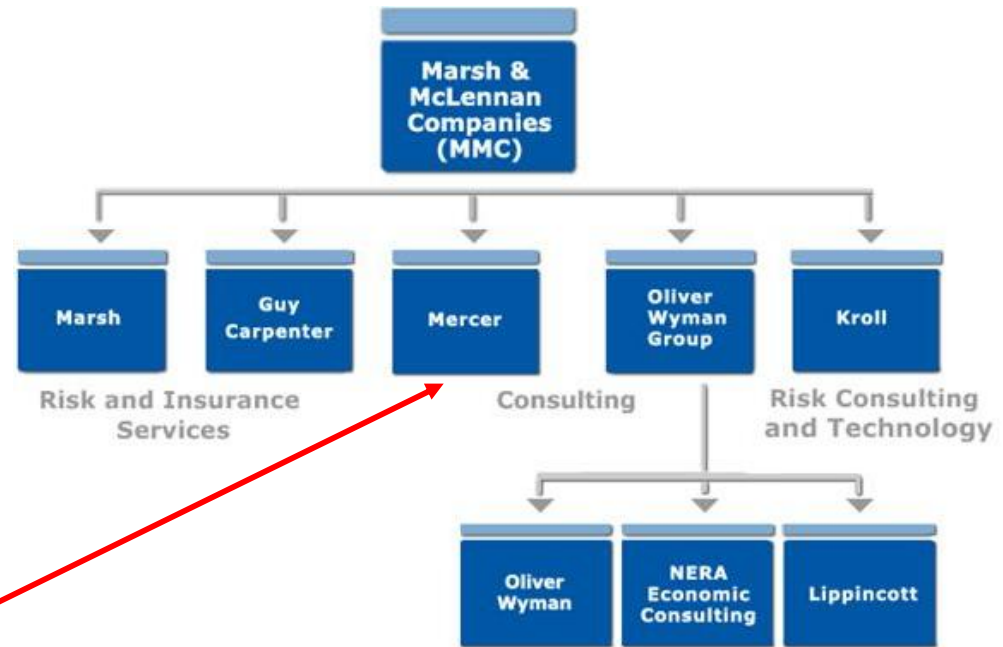
Carlos Mestre

carlos.mestre@mercer.com

Telephone: +41 22 869 30 90

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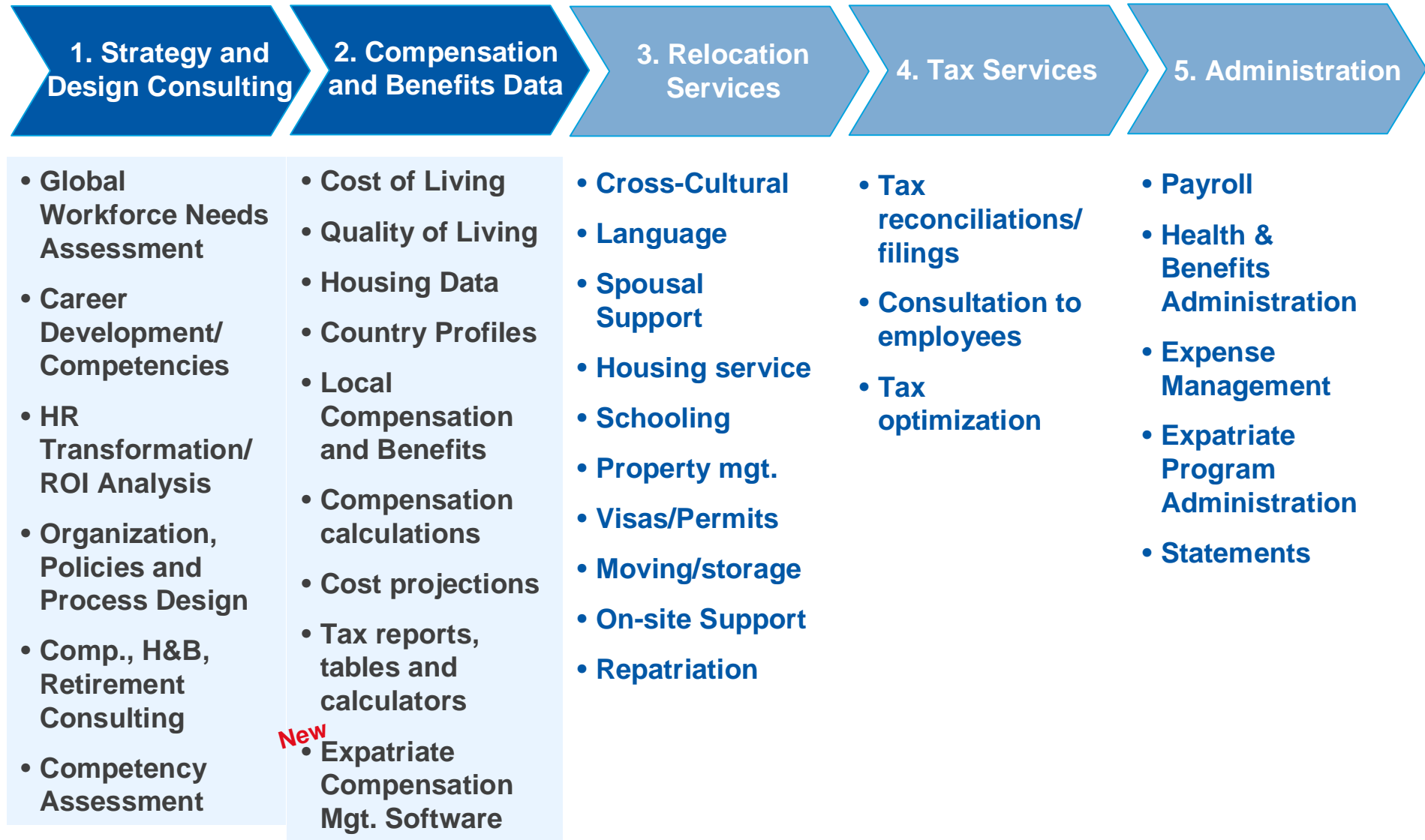
- The largest HR Consulting Company in the world with over 17,000 employees in 42 countries (180 cities)
- Recent industry recognitions:
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	Japan	Sweden	
		Switzerland	

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	73%	57%	50%
Reduced	14%	26%	27%
Increased	13%	17%	23%

Response to Webinar Mini Survey

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

No 52%

Yes 48%

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

Yes 65%

No 35%

Response to Webinar Mini Survey

Number of firms that run employee engagement surveys?

No	53%
Yes	47%

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

TOP 5 main areas	79%
Compensation - consistency, clarity, exception avoidance	27%
Costs containment	17%
Flexibility, compensation trends	17%
Benefits	11%
Communication with assignees	8%
Others: Housing, COLA, repatriation, localisation, currency fluctuations, short term policy.	21%

Response to Webinar Mini Survey

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

Fully transparent - we explain the methodology	77%
Partly transparent - we only provide the final salary figure	23%

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	48%
Rarely	40%
Never	13%

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	79%
No	21%

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

Yes	86%
No	14%

Response to Webinar Mini Survey

What are your main barriers to employee international mobility?

Costs	29%
Family issues, education and dual careers	17%
Compensation packages	13%
Policies issues, i.e., inconsistency	9%
Legal implications	7%
Immigration, communication, tax	6%
Cultural difference	6%
Career management and identifying talent	5%
Remote location, security	4%
Cost of living currency fluctuations	4%

Response to Webinar Mini Survey

What are your 3 most difficult assignment locations and why?

APAC Pacific, cultural difference	15%
China, visa difficulties and tax issues	15%
Africa, life conditions, security, host country HR support	14%
India, taxation issues	11%
Russia - Kazakhstan, different social structure, language barrier, work permit	11%
Western Europe, immigration	6%
US, tax system, difference in cost of living	6%
Brazil, immigration	6%
Middle East, tax equalisation, lack of host country HR support	4%
Latin America, infrastructure	3%
UK, currency devaluation and tax changes, cost of living	3%
Saudi Arabia, culture	2%
Turkey, immigration	2%
Venezuela, government policies	2%

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

Consistency, clarity, avoid exceptions	27%
Costs containment	17%
Benefits	8%
Communication	7%
Flexibility	7%
Housing and COLA	7%
Taxation	7%
Repatriation	6%
Family issues, schools	4%
Compensation package	4%
Localisation process	2%
Currency fluctuation	2%
Short term assignment policy	2%

Response to Webinar Mini Survey

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

- Added short term assignments policy
- All company policies have been revised to fit our current situation (more globalized company)
- Benchmarking and policy updates
- Benefits have become better coordinated
- Change in comp models and policy element, COLA change from efficient to mean-to-mean
- Change of data provider
- Changed home leave from business class to economy class
- Changed the assignment premium structure and made program more formal for consistency sake
- Changed the methodology for determining Housing allowance, Hardship allowance, Piloting a home to host approach
- Changed to gross salary in general
- Changes to home leave practices, revising policy to make more explicit which items are covered
- Changing housing allowance benefit, changing hardship allowance, developed a global strategy
- Civil partnerships
- Comprehensive review of old policies. Revised Long and Short and created a Development policy.
- Costs cutting for young employees"
- Costs of Living index also applied to assignment allowance
- Currency fluctuation compensation

Response to Webinar Mini Survey

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

- Decided on a global policy framework, but each country can tailor the specifics to suit
- Developing an Expatriation Strategy
- Distinction between type of assignment/package less generous
- Eliminated expatriate allowance (10% of base) and replace by mobility allowance - only across regions
- Flight class for travel, relocation allowance
- Hypo tax withholding for net salary compensation
- Implement a fix time line a maximum period that some assignment conditions are applicable
- Implemented a Short-Term Assignment Policy
- In progress - separating into different assignment types.
- Increased hardship allowance and decreased COL allowances
- Introduced a new expat policy and have tried to add some flexibility within it
- Introduced localisation policy and maximum period of assignment is 5 years
- More incentives regarding "difficult" countries
- New mobility policy & governance structure
- New suite of policies to replace the one rather cumbersome policy
- Phasing out some expat benefits, e.g. maids

Response to Webinar Mini Survey

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

- Reduction of home leave benefit (from business -> economy class), more regular review of housing allowances
- Removed a end of short-term contract bonus
- Restructured assignment premium - which decreased it, limited auto allowance, restructured housing allowance.
- Separated policy into tiers
- Stricter terms
- We are moving toward a Core+ Cash approach to streamline our provisions, processes and add more flexibility for the business groups and expats
- We changing the "way we've always done it" and begin implementing policy
- We have attempted to introduce a tiered policy. e.g. fully built up package only for business critical roles, reduced benefits for 'career development' moves.
- We have moved from one fits all to a multi tier policy
- We have updated our UK policy
- We reduced the flight allowance to one per annum from two per annum. We introduced a COLA (where positive), we wrapped up some small allowances and the repatriation benefits into a net lump sum at the start and end."
- We revised the entire policy, but this movement began before the crisis. We clarified some concepts that weren't clear before and improved the operational expat process, mainly related to compliance/legal
- Went back to our core policy/program and required compliance for the past year in order to obtain some baseline numbers



2. What is changing – The value of knowlegde

Four areas to consider for in-house knowledge

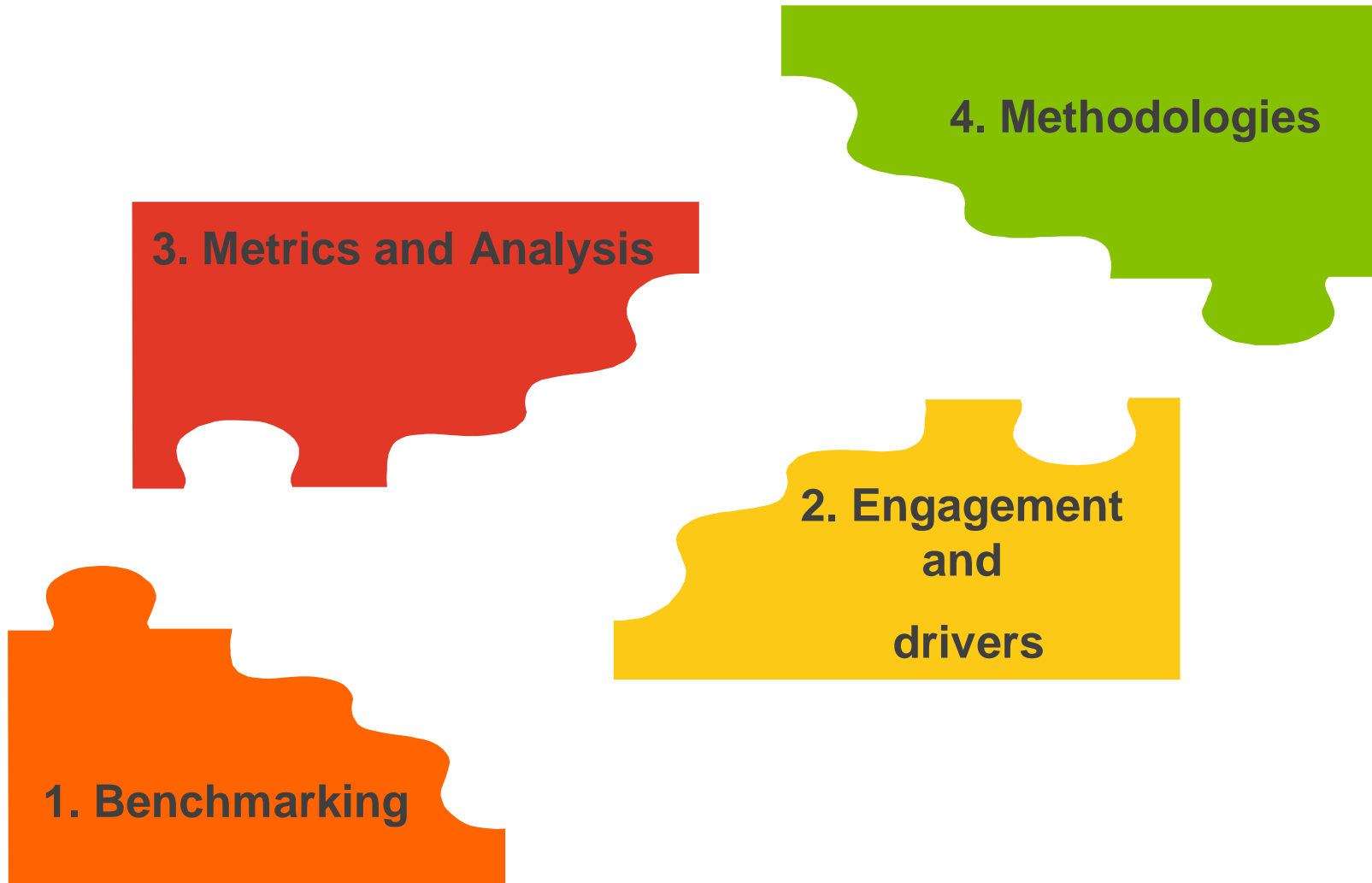
5 Good reasons why expatriate managers overlook the options

- 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

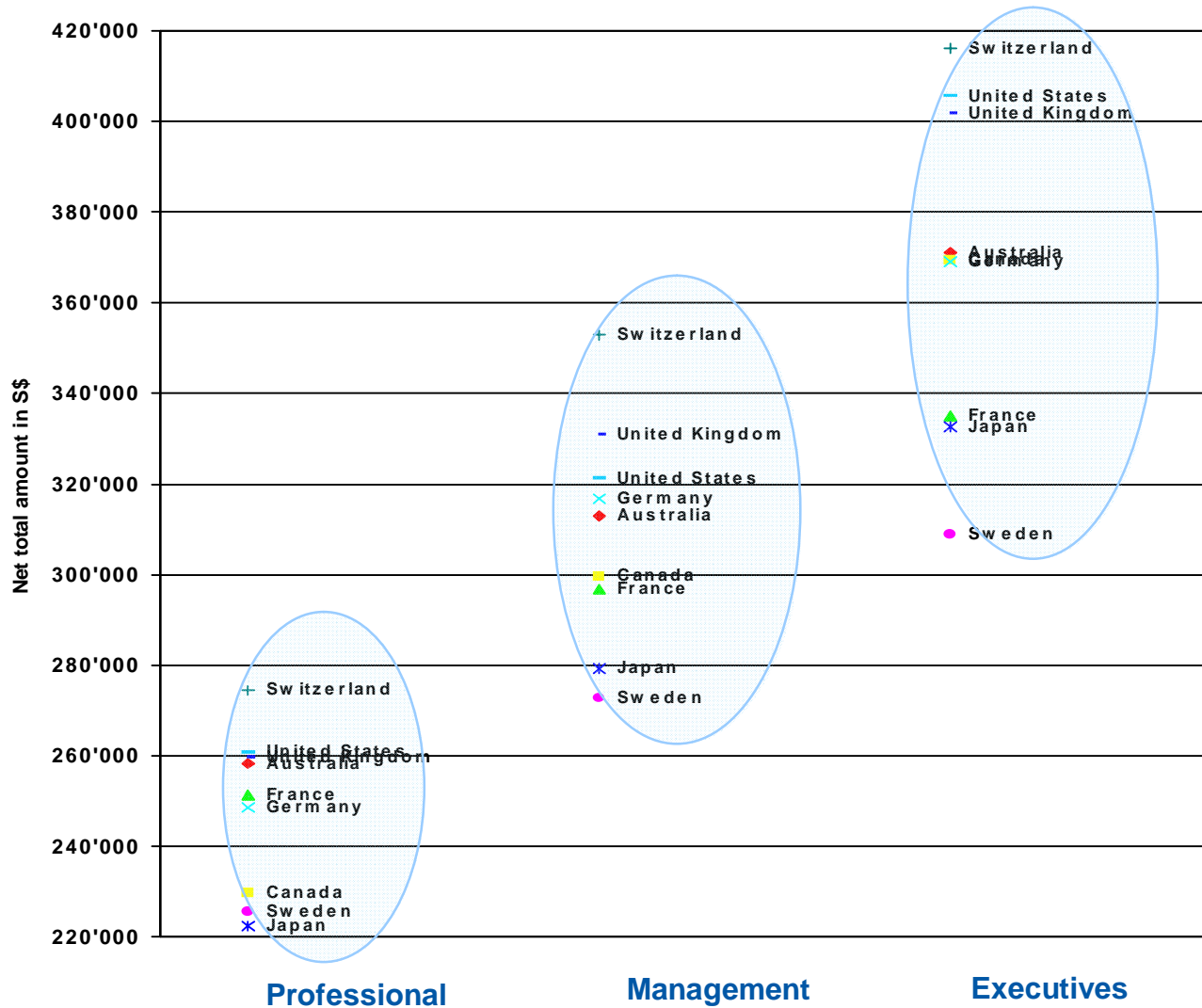


**Four areas to consider for in-house knowledge
Benchmarking**

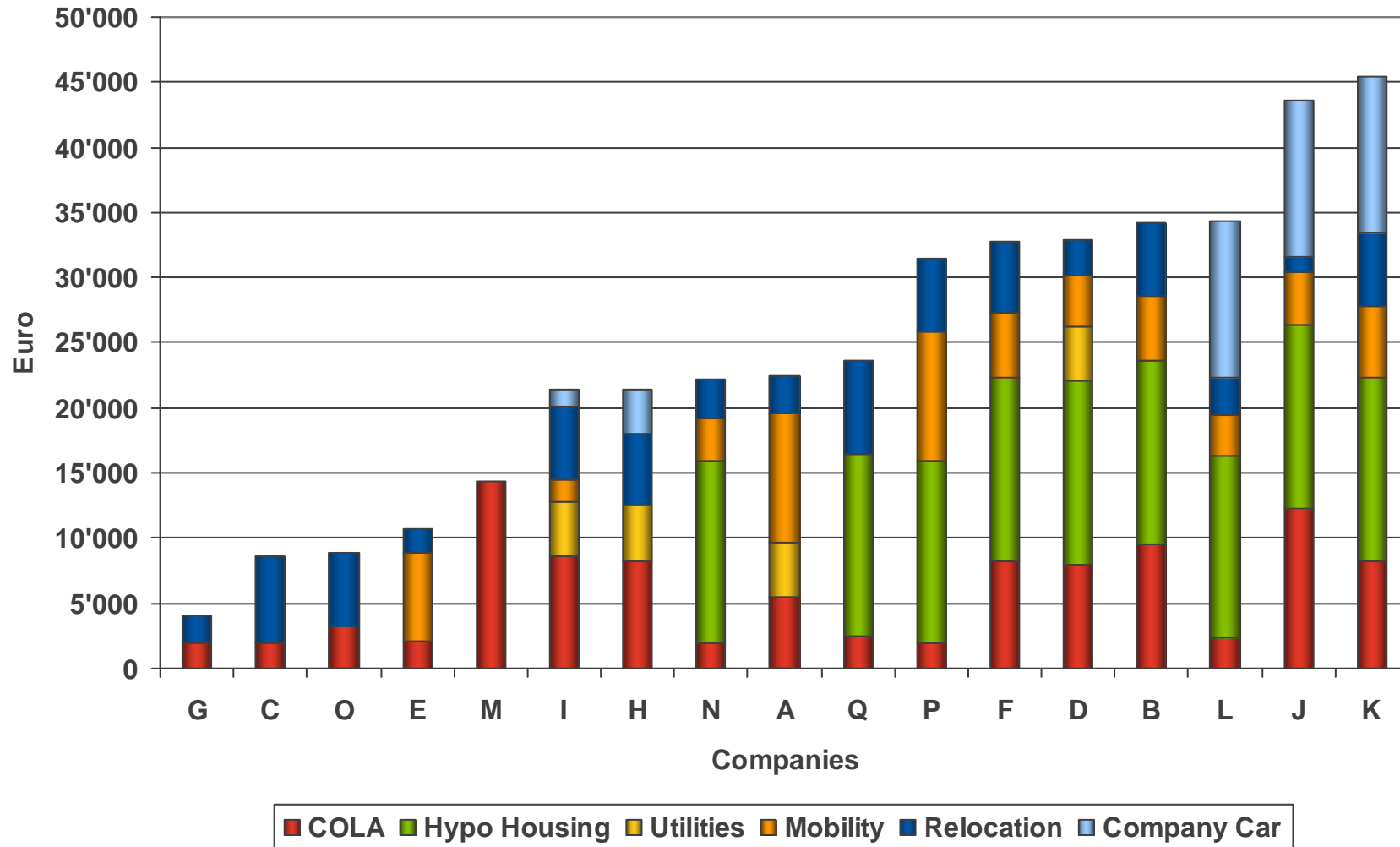


Benchmarking: Expatriate Compensation Levels in Singapore

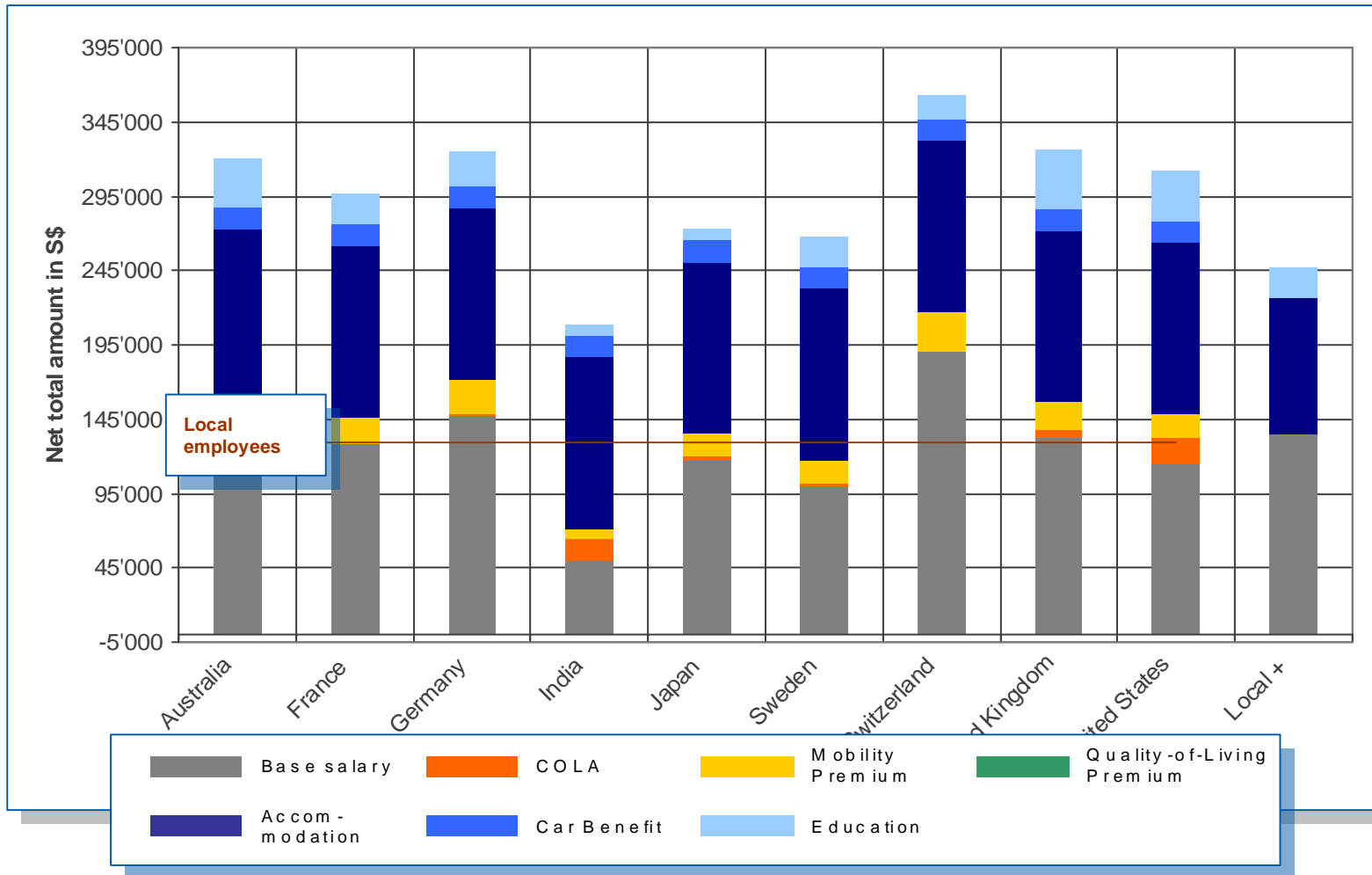
(standard policy applied)



Benchmarking: Comparative annual value of allowances



Benchmarking: Trying to localize?



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



Engagement and drivers: why is value understanding important?

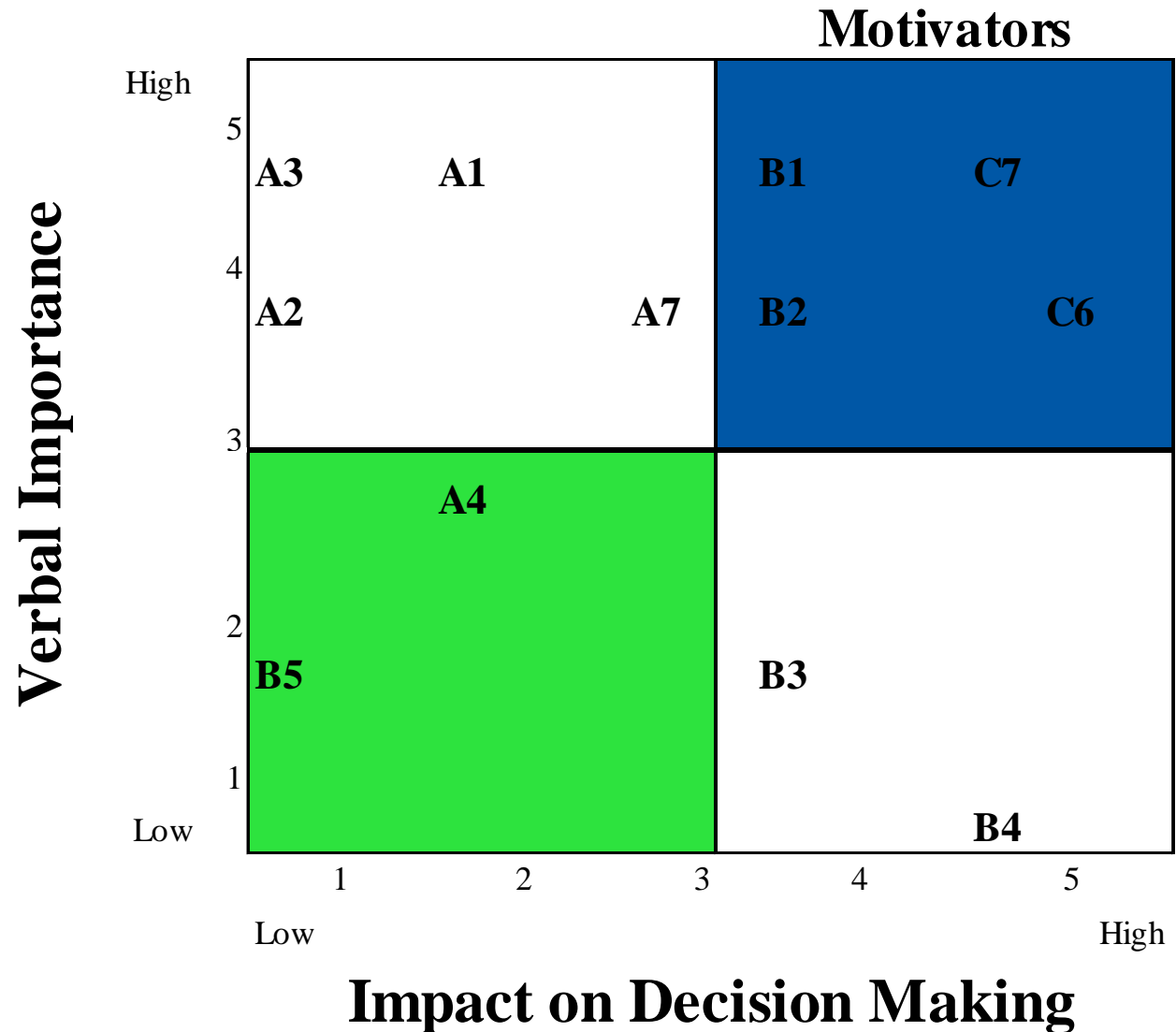
Identify areas

- 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**



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?

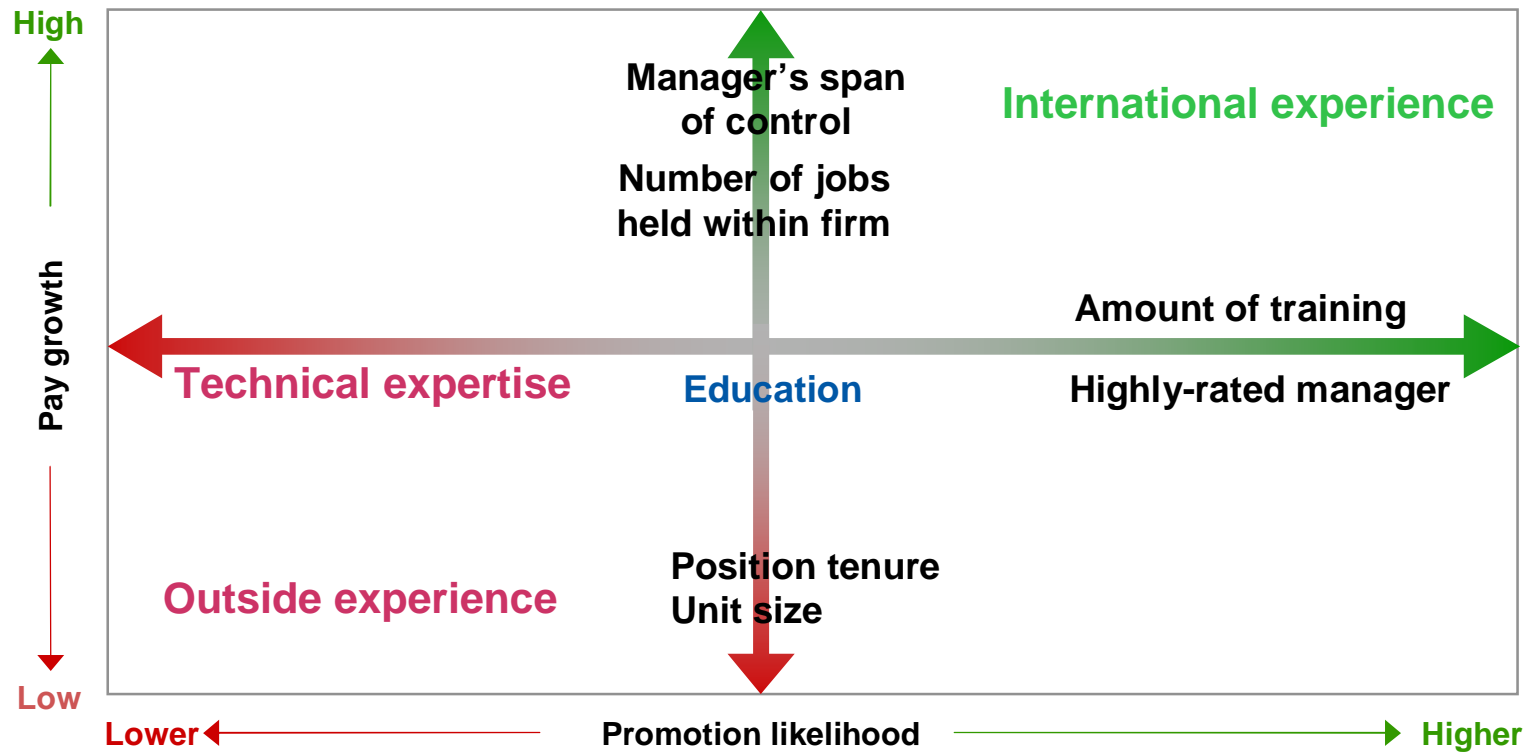


Metrics and Analysis: Sources for information and measures

- 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

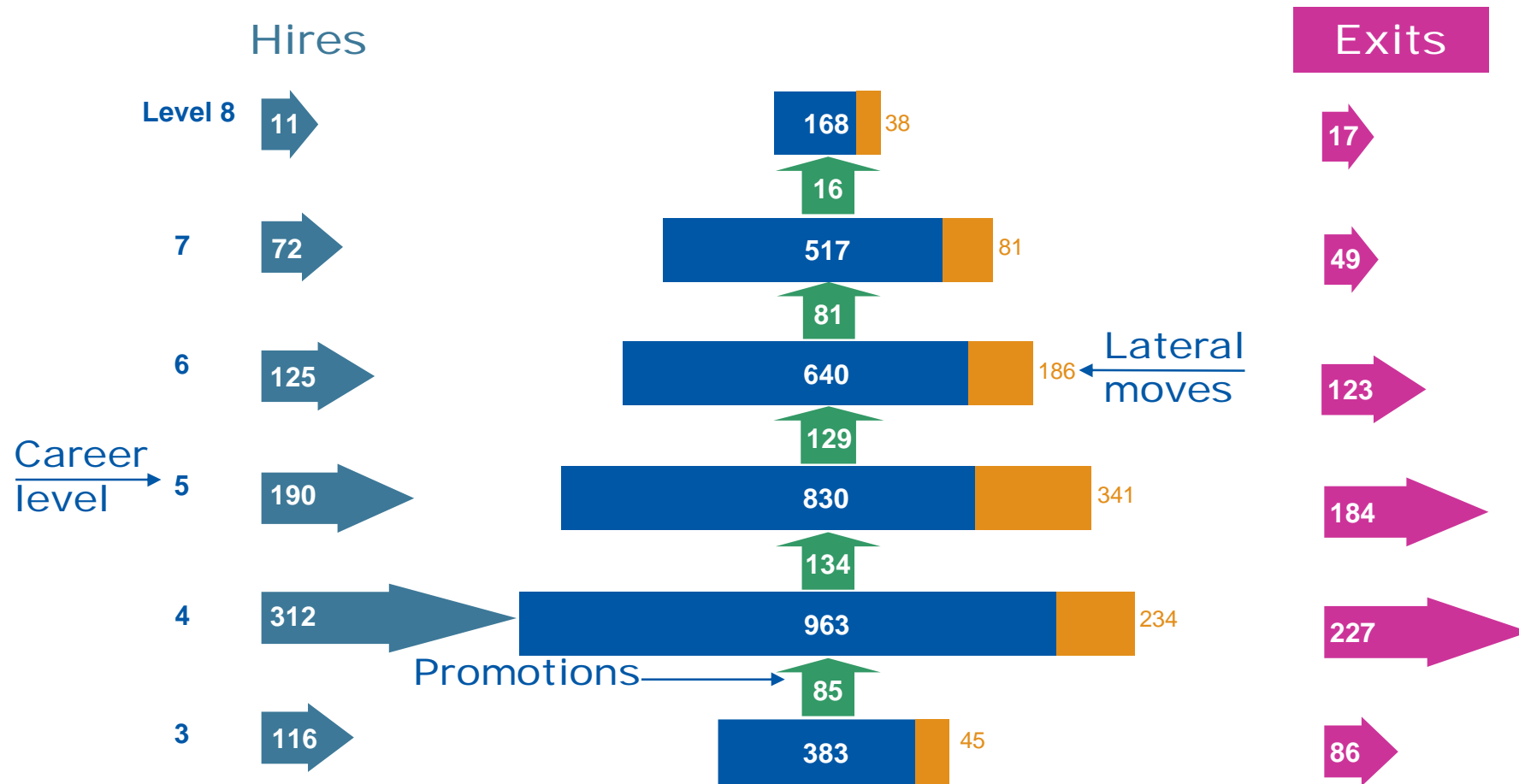
Metrics and Analysis:

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

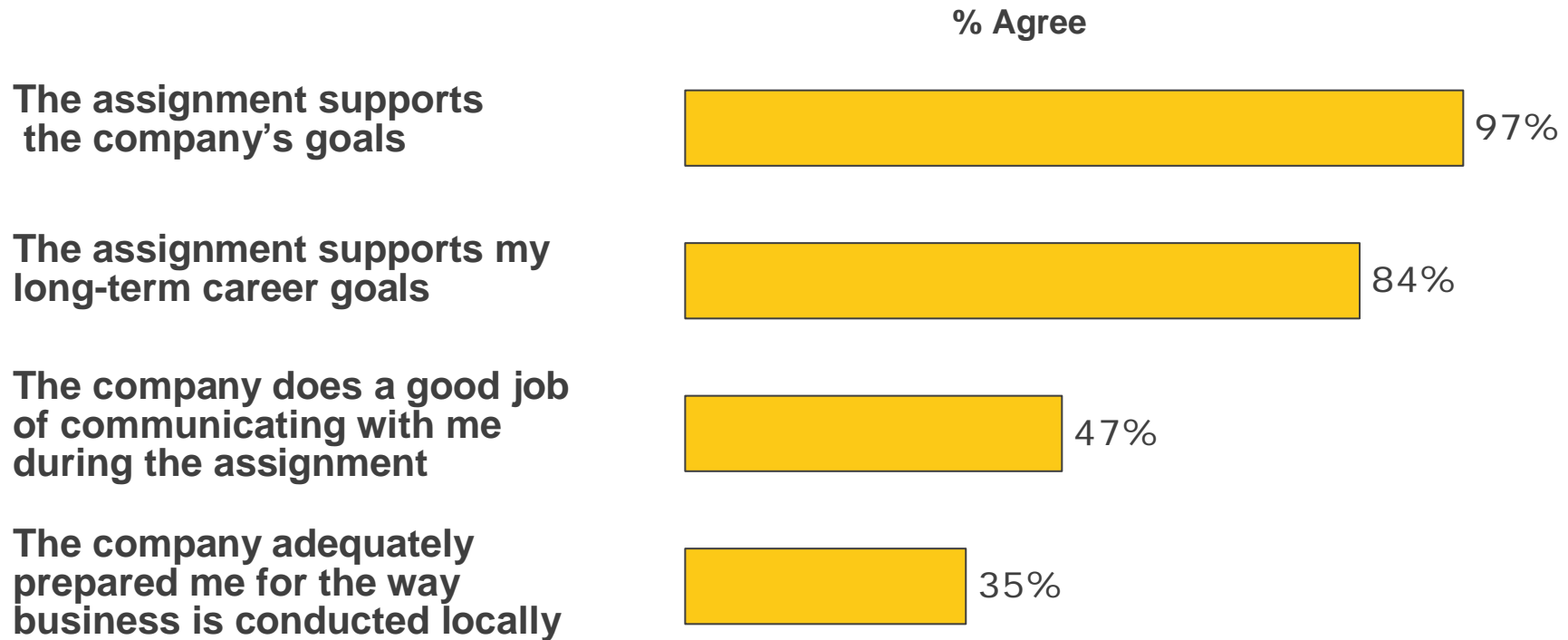


Disguised client example

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

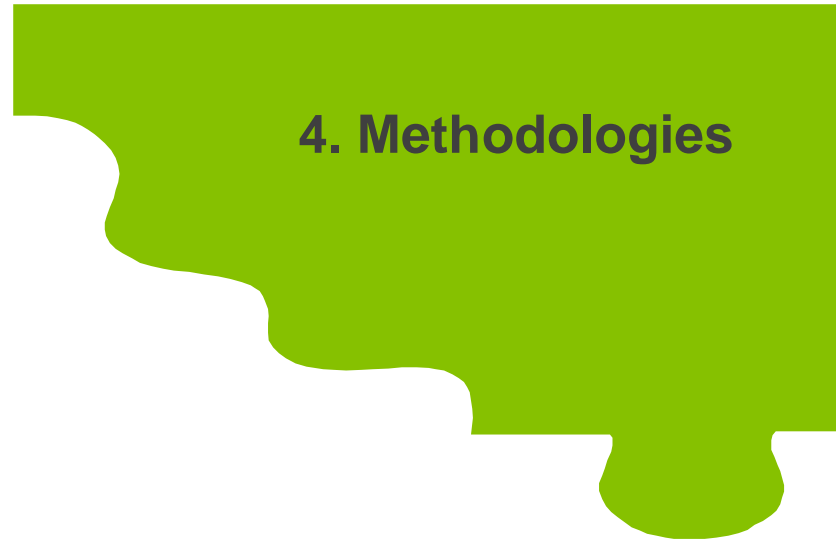


Metrics and Analysis: What is the overall expatriate experience? How are various vendors viewed? How do expats feel about the repatriation experience?



Disguised client example

**Four areas to consider for in-house knowledge
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

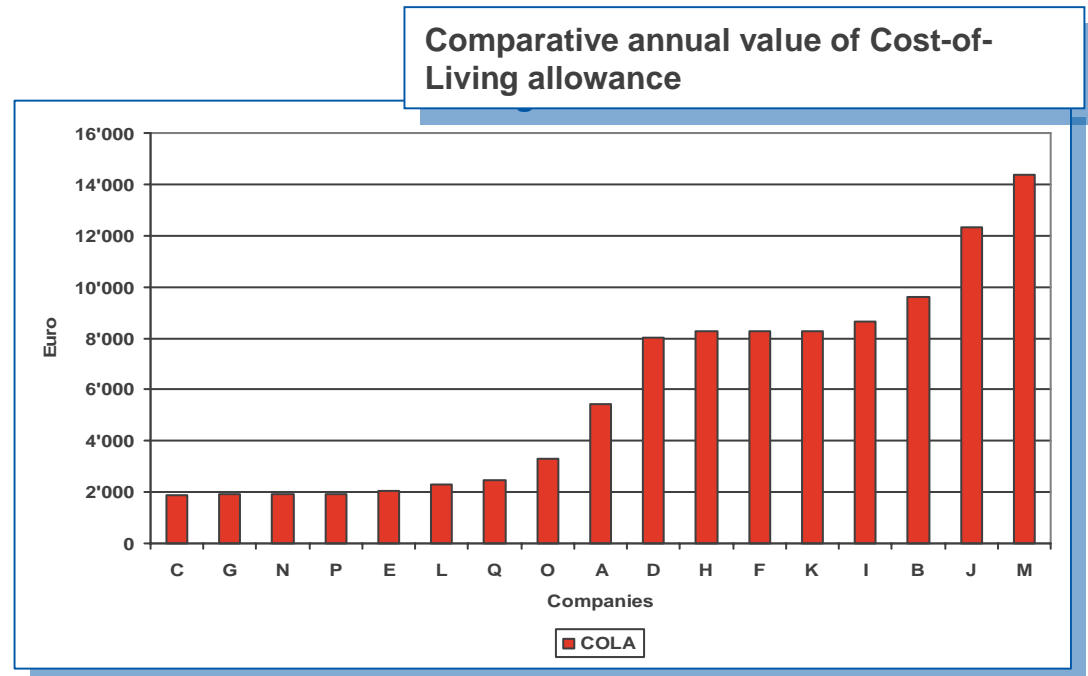
Methodologies: A quick look at cost of living differential allowances (COLA)

1:10

Variation in net value of COLA

Based on:

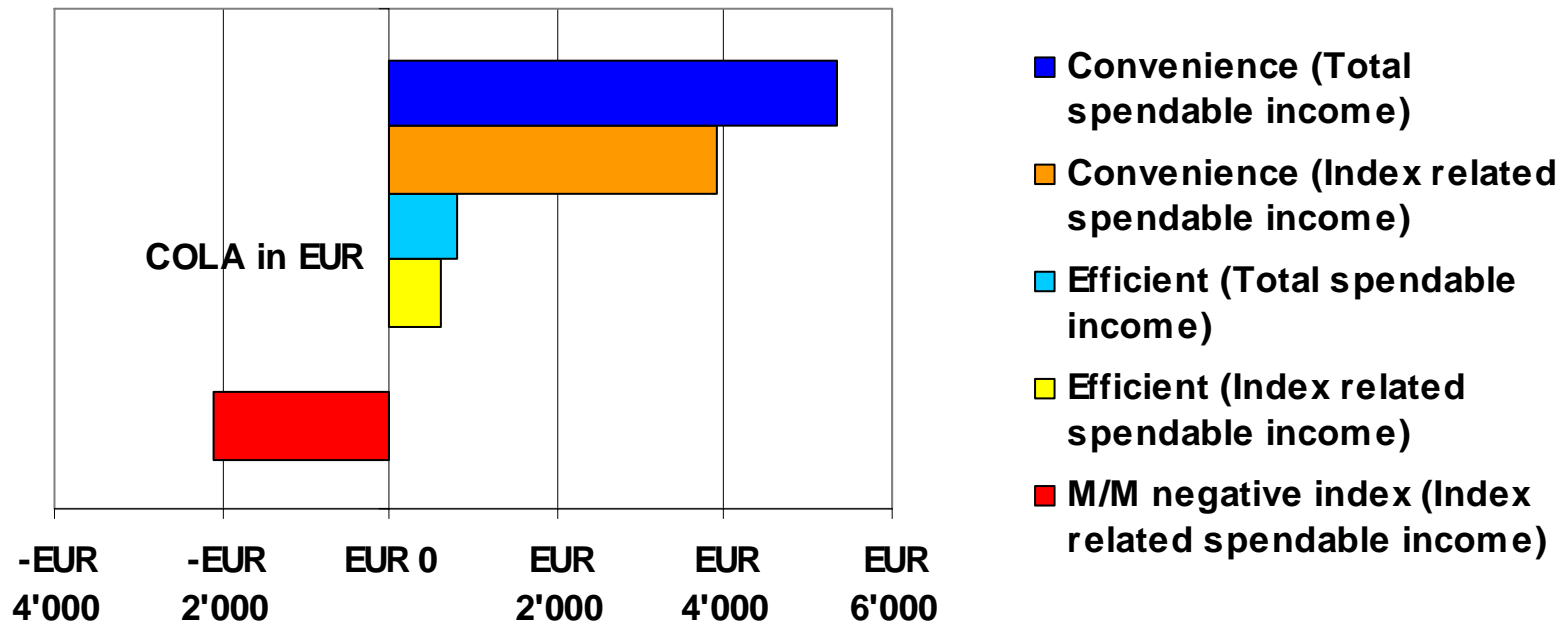
- same salary
- same host / home combination
- same family size



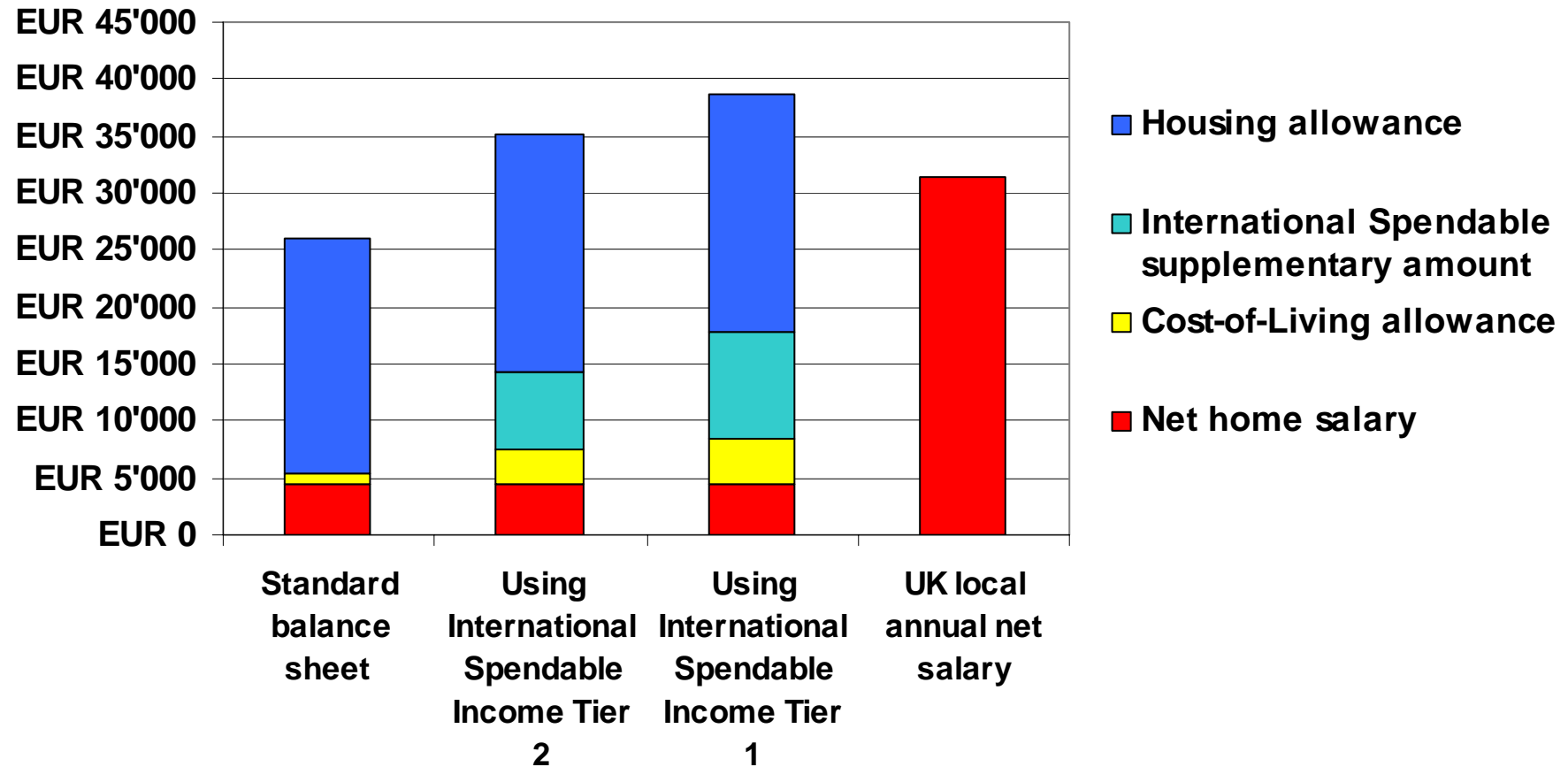
Based on a Frankfurt to Paris, €100,000 gross base salary and family of 4

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



Anne Rossier Renaud
Geneva
+ 41 22 869 30 91
Anne.rossier-renaud@mercer.com



Carlos A. Mestre
Geneva
+ 41 22 869 30 90
Carlos.mestre@mercer.com

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.

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

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



CLICK HERE TO ASK A QUESTION TO "ALL PANELISTS"

Survey

Please take the time to fill out the survey at the end of this web briefing so we can continue to improve. The survey will pop-up in a new window when the session ends.

mercer.com/webbriefings

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The screenshot shows the Mercer Global HRMonitor website. At the top, there is a navigation bar with the Mercer logo and the text 'Welcome to Global HRMonitor®'. Below this, there are several content sections:

- Our one-hour web briefings provide you with essential advice on all aspects of expatriate management.** This section includes a list of topics such as '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.' and a 'Read More...' link.
- Influenza A (H1N1) Virus** This section includes a list of topics such as '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' and 'Updates on the situation provided by Mercer are currently available on www.mercer.com/swineflu.' and a 'Read More...' link.
- Severance pay in major markets around the world:** This section includes a list of topics such as 'Terminations, layoffs and downsizing have become all too common in today's turbulent economic labour market.' and a 'Read More...' link.

On the right side of the page, there are sections for 'Current Updates', 'Resources', and 'Downloads'. The 'Current Updates' section lists several articles with dates and titles, such as '03 Jul 2009 > Personal Tax and Spendable Income A (DE, FR)'. The 'Resources' section lists 'Global HRMonitor Guided Tour', 'Global Mobility Overview', 'Mercer International News', 'Mercer Global Publications', and 'Terms & Conditions'. The 'Downloads' section includes the Adobe Reader logo and a link to 'Click here to download'.