

MERCER



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Cost-of-living Information Services

The key to designing accurate expatriate compensation packages

Consulting. Outsourcing. Investments.

Consider these questions...

Have you evaluated the cost-effectiveness of your expatriate management process?

Are you really solving your mobility issues by granting generous cost-of-living allowances?

Is your process transparent? Does your supplier provide you with all the information you need to justify your decisions?

Are your cost-of-living allowances based on prices gathered by your expatriates?

How can you keep your compensation approach consistent when transferring employees from lower-income countries in Eastern Europe or Asia?

...obtain the right solution

To encourage mobility and manage your international assignment costs, you need precise information to calculate fair, consistent expatriate compensation packages. With offices in 41 countries and territories, Mercer brings you factual, objective price information from more than 290 cities around the world.

Based on over 200 goods and services, our semi-annual surveys are conducted by professional researchers simultaneously in each of the locations we cover.

Carefully chosen vendors reflect only those outlets where your expatriates can buy goods and services of international quality.



Key features and benefits:

- A unique international basket of goods and services reflecting realistic spending habits established through years of extensive expatriate research.
- Three distinct cost-of-living (COL) indices for different expatriate shoppers:
 - Mean-to-Mean Index
 - Efficient Index
 - Convenience Index
- An online Cost-of-Living Index Calculator that allows you to customise the COL index to your specific needs.
- Reasonable, realistic indices.
- Full price list and survey details.
- Immediate estimation of the cost-of-living allowance (COLA) using our Cost-of-Living Allowance Calculator.
- Current information, with locations extensively surveyed twice a year by professional researchers.
- More frequent updates for markets in flux.
- Special cities surveyed upon request.
- A methodology that lets you determine competitive purchasing power for all your employees, wherever they come from.

Cost-of-living reports

Mercer's cost-of-living reports provide all the key elements you need to calculate cost-of-living allowances as well as the supporting information required to ensure full acceptance and understanding of the results.

City-to-city comparison

Mercer's cost-of-living indices are designed for multinational companies that transfer employees to and from a multitude of countries. Our unique international basket of goods and services is the result of extensive research into actual expatriate spending habits, allowing our indices to reflect actual international spending patterns.

Mercer provides three cost-of-living indices to accommodate differences in shopping habits:

- The reversible **Mean-to-Mean Index** is the best indicator of overall differences in prices between two locations, because it compares the mean prices (average price of each item) in the base city to the mean prices in the host city.
- The **Efficient Index** applies to a relatively experienced shopper and compares the average of the low and mid prices in the base city to the mean prices in the host city.
- The **Convenience Index** applies to a less-experienced shopper, or a newcomer in the location, and compares the average of the low and mid prices in the base city to the high prices in the host city (except for selected categories for which it compares mean base prices).

Home country spendable income tables

The **Spendable Income Tables** report the typical amount an employee spends on goods and services in his/her home country. Used in conjunction with our COL indices, they support you in determining appropriate cost-of-living allowances.

Our indices comprise the following categories, weighted according to our research results:

- Food at home
- Alcohol and tobacco
- Domestic supplies
- Personal care
- Clothing and footwear
- Home services
- Utilities
- Food away from home
- Transportation
- Sports and leisure

These reality-based Spendable Income Tables are based on national statistics for major countries. The tables are broken down by income level and family size, from single employees to couples with four children.

International Spendable Income Tables: Compensating employees from low-income countries

If the spendable income portion of a salary is too small, no index can adjust it to make it sufficiently competitive.

To address this problem, Mercer has developed **International Spendable Income Tables**, which allow companies to substitute non-competitive home country spendable income with benchmark spendable income levels. The International Spendable Income Tables provide you with the ability to develop competitive spendable incomes for your employees wherever they come from, while allowing you to keep a consistent "home country" compensation approach.

Home country housing norms tables

These tables provide the hypothetical amounts that employees normally spend on housing in their home country and are used to determine the employee's contribution towards housing costs in the host country. Tables are broken down by income level and family size, from single employees to couples with four children.

Expatriate accommodation cost tables

Mercer's **Host City Accommodation Tables** are designed to help you determine the housing allowance for your employees when transferred abroad. Monthly housing rental cost is provided in three tables for each host location.

- **Tables by accommodation type** provide monthly rental costs for different-sized apartments and houses, furnished and unfurnished, in different areas.
- **Tables by income level and number of bedrooms** provide expatriates' monthly rental costs for an apartment with 1 to 4 bedrooms or for a house with 3 to 4 bedrooms.
- **Tables by income level and family size** provide an average monthly accommodation rental cost by family size, including both apartments and houses.
- **Extended accommodation tables**

In addition to the typical tables Mercer now provides, for 50 major cities around the globe, housing tables with monthly rental cost ranges for each type of accommodation surveyed.

This data allow companies further flexibility when building the assignees' housing allowance. These new tables present a better picture of the local markets and make the tables useful for all assignees at any position level and for all assignment types. The selected areas are fully described, as are the international schools' locations.

International education cost tables

Mercer's **International Education Cost Tables** provide accurate information on tuition and fees for different schools: American, English, French, German, International, Italian, Japanese and Scandinavian.

Business travel expenses tables

Mercer's **Travel Expenses Tables** provide a daily allowance rate, representing typical daily costs for employees on business trips. The data cover hotels, meals, taxis and miscellaneous expenses.

Actual Price List

The full price list and list of stores and sources supporting the COL index ensures that our process is completely transparent. For example, it lets you demonstrate why city A is 20 percent more expensive than city B.

Short-term assignment allowance tables

Mercer's **Short-Term Assignment Allowance Tables** let you compensate your employees for daily living costs while on short-term assignments.

Mercer has developed appropriate categories of expenses to help you determine this daily allowance for your employees transferred temporarily abroad on a single status:

- Food (at home and away from home)
- Laundry and dry cleaning
- Personal care
- Entertainment
- Transportation
- Telephone
- Hotel room or furnished accommodation

Global HRMonitor®

– a new dimension of online HR information

Mercer's web-based application contains flexible and powerful calculators that enable you to customise our COL information to meet your specific requirements.

- **Cost-of-Living Index Calculator** provides flexibility, letting you adjust our COL indices for exchange rate, inflation and unavailable products in the host location. You can easily customise the COL index components and access the actual price list that supports the index.
- **Cost-of-Living Allowance Calculator** calculates the actual COLA (cost-of-living allowance) amount based on your employee's base salary, family size and spendable income portion.
- **Spendable Income, Home Housing Norm and Savings Calculator** uses actual national spending statistics to instantly estimate spending patterns, identify those components of spending that need to be compensated for, and differentiate based on family size and income level. The result is a more accurate spendable income estimate and home housing norm for you to use when developing expatriate compensation.
- **Expatriate Accommodation Costs Calculator** provides monthly rental costs by number of bedrooms and family size based on your employee's income level.
- **Short-Term Assignment Allowance Calculator** determines the daily living costs of your employees on short-term assignments. It allows you to adjust Mercer's standard basket to meet your specific needs – you can add, remove or change the frequency and quantity of items in the daily allowance.
- **Expatriate Compensation Calculator** helps you build expatriate compensation packages by applying the home country balance-sheet approach. The calculator details each step of the process, allowing you to make your own adjustments.

Mercer advisory services

Mercer's specialists are available for any advice you might need when managing your employees on international assignments.

Please contact your local Mercer office for further information.

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