

Mercer webcast



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Localisation and Local Plus Alternative Deals for Foreign Talent

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Sources

- 2011 Mercer Survey of International Assignment Policies & Practices
- 2010 Mercer International Assignment Survey
- 2010 Mercer Localisation Practices Survey, China
- 2010 Mercer Localisation Practices Survey, Hong Kong
- 2010 Mercer Localisation Practices Survey, Singapore
- 2010 Total Remuneration Survey for Locally Hired Foreigners and Returnees, China
- 2009 ORC* Survey on Local Plus Packages in China
- 2008 ORC* Survey on Local Plus Packages in Singapore and Hong Kong

**ORC merged with Mercer in 2010*

Agenda

Context and definition of localisation and local plus

Why so much focus on these?

Prevalent policy and practice

Considerations and insights

Q&A



Context and Definitions

We're talking about *expatriates*, right?

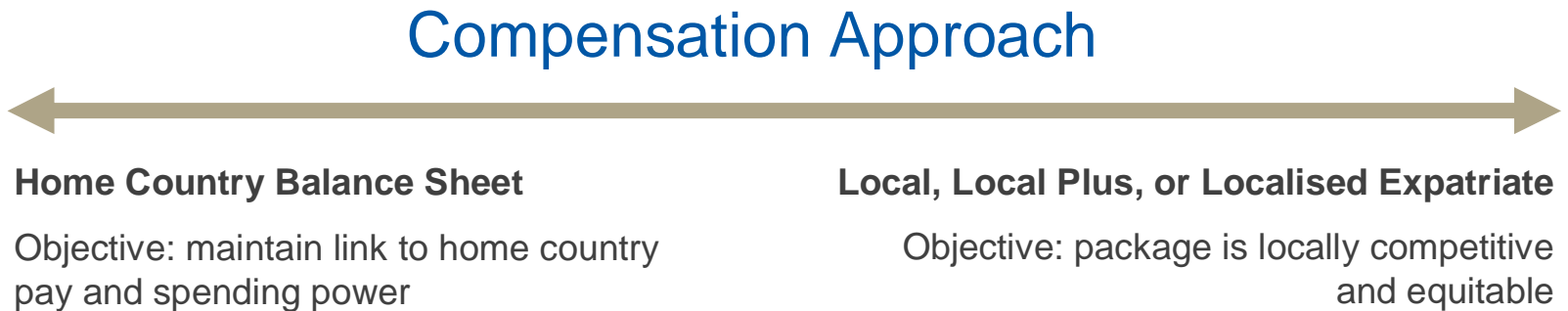
Webster's Dictionary:

Ex-'pat-ri-ate, *noun*

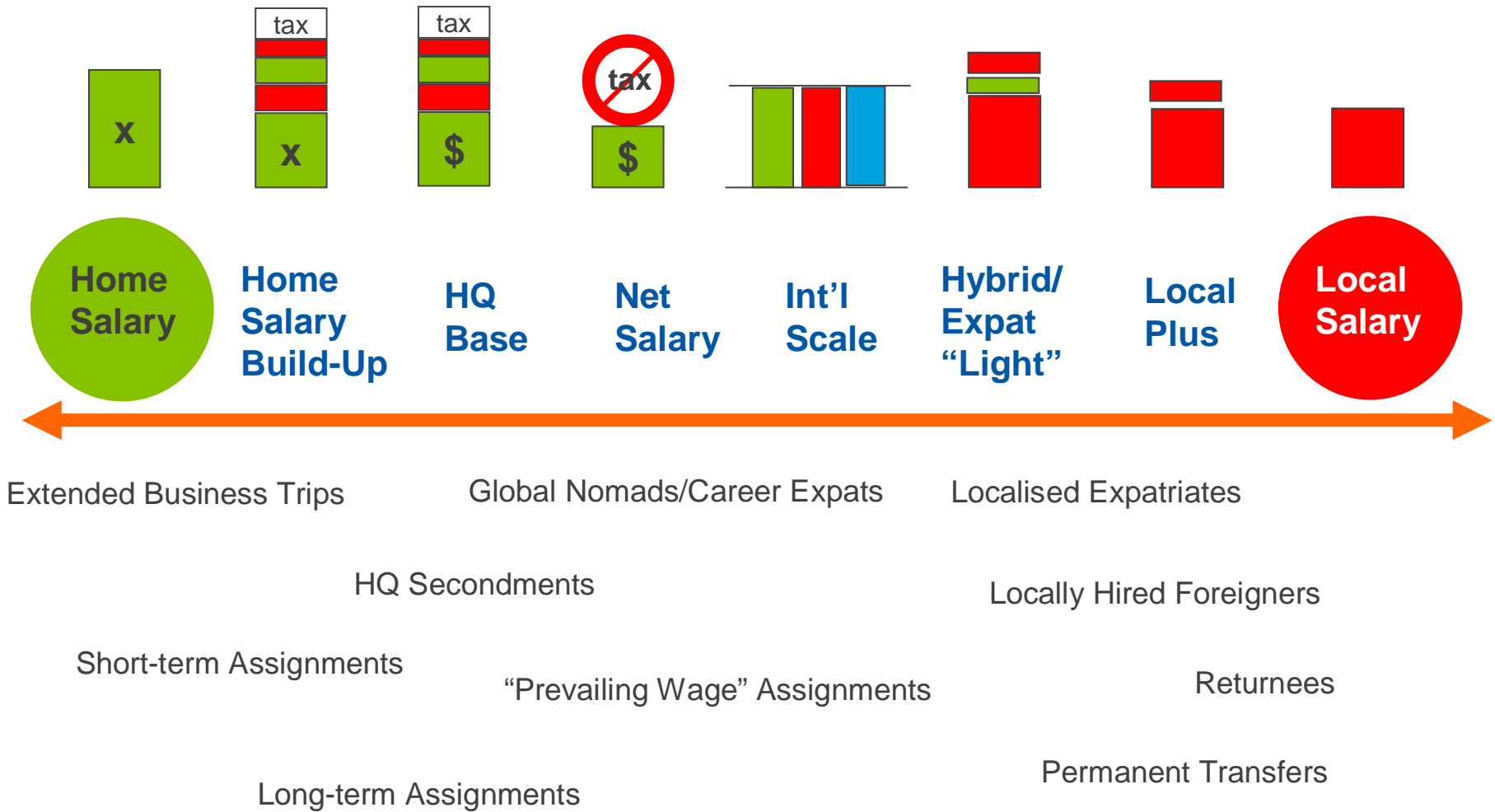
From Latin *ex* + *patria* (native country)

i.e. someone outside their country of origin

What is “home?”



Pay approaches vary by purpose



Context—What is acceptable talent risk?



Definitions: localisation and local plus

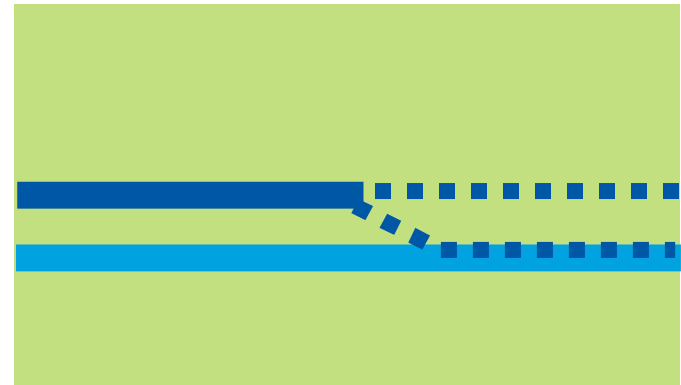
Localisation

- Reduction or elimination of expatriate benefits after a certain time in location.



Local Plus

- A package consisting of local pay and benefits, **plus** some additional items not typically provided to local staff.





Why So Much Focus?

Localisation—not new, but newly relevant

- **Most** companies have a formal or informal localisation policy, or have no policy but have localised expatriates*
- **Most** policies trigger localisation at or before five years*

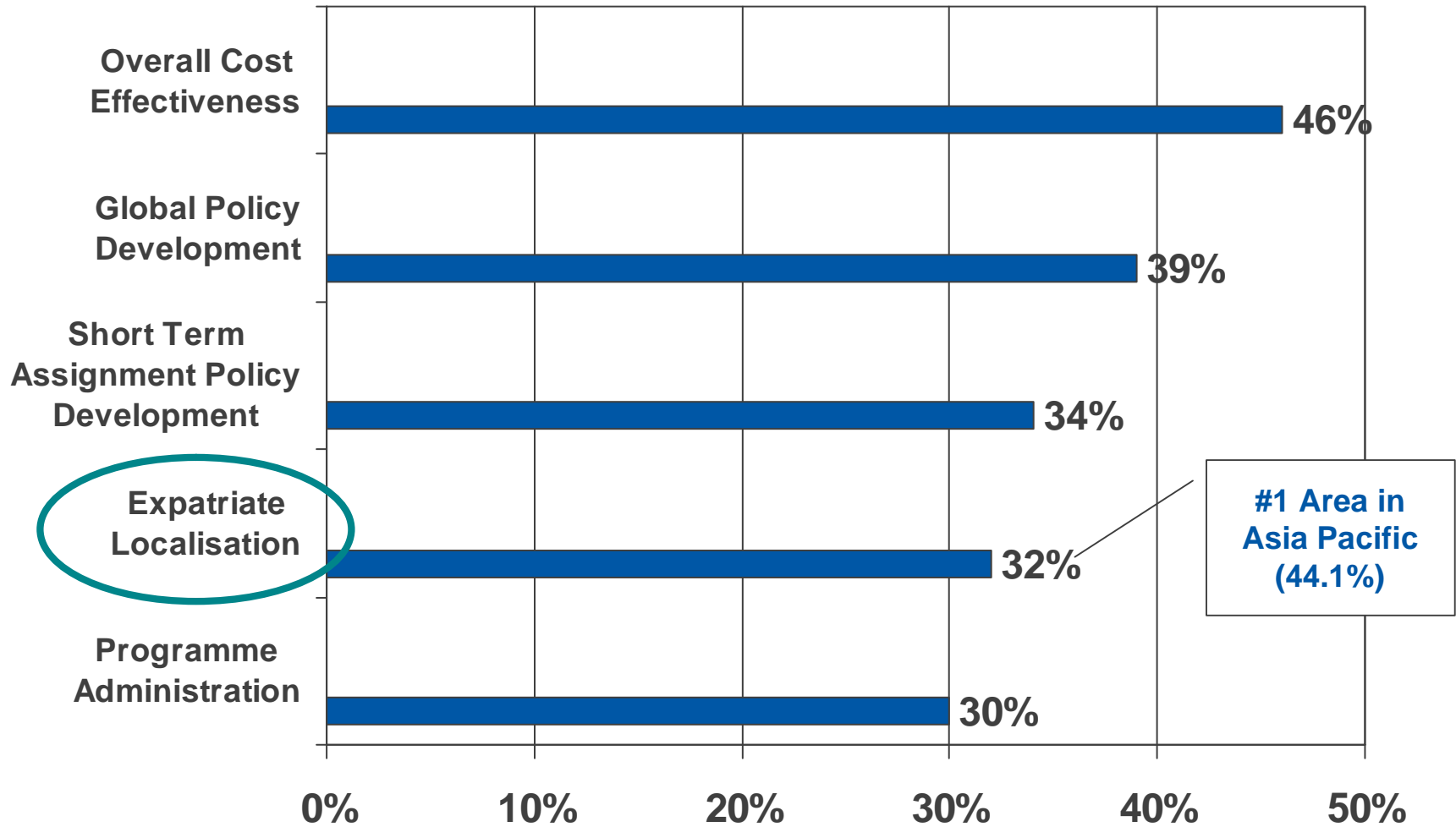
However...

What is “new” is the realisation that the policy is often **ineffective**

- 72% of companies say policy **not strictly applied**
- Most companies localised expatriates during the last two years, in **single digits** within each region

* Mercer 2011 Worldwide survey of International Assignment Practices

What mobility policy areas are under review?



Mercer 2011 Worldwide survey of International Assignment Practices

Localisation Cost Savings

- Among 622 companies that indicated cost savings initiatives in 2010, the most frequently cited area of focus was a **heavier reliance on localisation of expatriates (42%)***
- Relatively easy to illustrate cost savings

But what about the talent risk? People threaten to leave if localised...

- The retention rate of localised employees in China, Hong Kong and Singapore after a two year period was 80% or above, among surveyed companies**
- Most localisation occurs because the assignee *wishes to remain* in the host location (58%), followed by cost reduction (50%) or due to policy (25%)

*Mercer 2011 Worldwide survey of International Assignment Practices

**Mercer 2010 Localisation Practice Survey, China, Hong Kong and Singapore

Barriers to Pure Localisation

- Localisation is not occurring significantly in all locations due to unwillingness—or inability—to call the assignment location “home”
 - Cultural or language barriers
 - Hardship or quality of life considerations
 - Pure local package is not always sufficient
 - low salary levels and/or high taxes
 - housing costs and cost of goods/services
 - availability of suitable and affordable dependent education
 - access to social benefits—pension and medical

Possible Solution—Local Plus

- In some markets, there is a growing pool of available foreign talent who:
 - Want to move to, or remain, in certain locations
 - Are willing to take less than a “full” package
- Employers want a simpler, less costly alternative
- Traditional home country package may be irrelevant, for example:
 - South African engineer living in Singapore joins a company with no South Africa operations
 - Dutch executive with Australian Permanent Resident status working in Hong Kong for a British company

Area of Focus

- **Hong Kong** and **Singapore** are the most popular locations today for Asia Pacific Regional Headquarters

Both cities plan to increase their populations in coming years with heavy reliance on foreign talent

- **China** has the world's top usage of expatriate talent.

A majority of Multinational Corporations view China as their most strategic market.



When is Local Plus used?

	Location	Direct/ Local Foreign Hire	Localised Expatriate	International Permanent Transfer	Returnee	Fixed-term Assignment
	China	✓✓	✓✓	✓✓	✓ (Senior positions)	✓
	Hong Kong	✓	✓	✓	✗	✓
	Singapore	✓	✓	✓	✗	✓

✓✓ Most Prevalent

✓ Prevalent

✓ Less common / limited

✗ Never or rarely provided



Prevalent Policy & Practice

Localised packages and Local Plus packages

Simple
and
Consistent

But...

- Vary by location
- Can vary by job level or family size
- May or may not be tax-efficient
- Salary may not fit local salary range in “low compensation” locations
- Social security may be home, host, both or none
- Local health or retirement benefits may be quite different than home or expat benefits

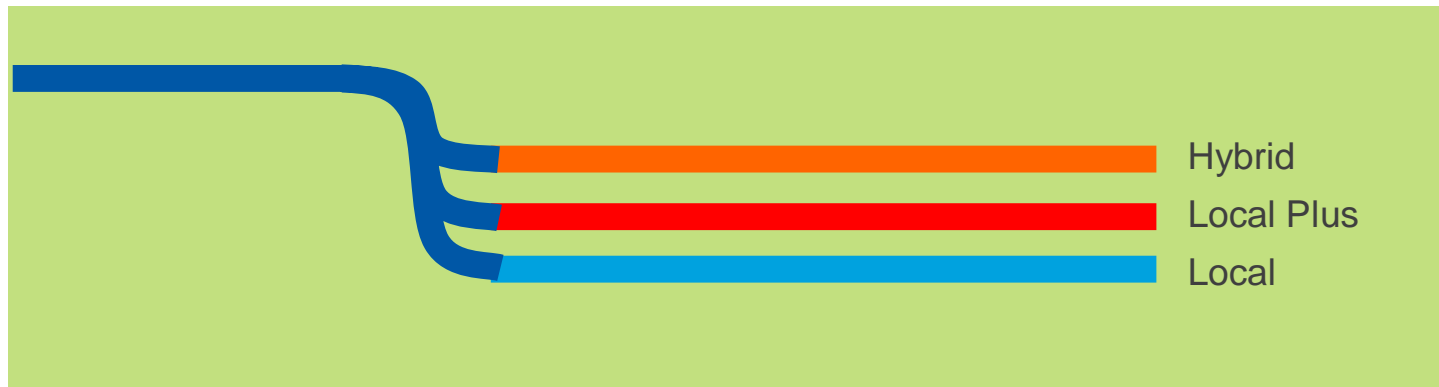
Upon Localisation, What Happens?

- Compensation
- Tax
- Housing
- Schooling
- Home Leave
- Social Security
- Medical



Localising to What?

- Localisation may result in a:
 - **Local** package
 - **Local plus** package
 - **Hybrid** or “expat light” package



- Local Plus or Hybrid packages may themselves be localised, or remain for the duration of the assignment

Components of a Local Plus Package

Expatriate Allowances or Benefits	China	Hong Kong	Singapore
Cost of Living / Goods & Svcs Allowance	✗	✗	✗
Mobility / Foreign Service Premium	✗	✗	✗
Hardship Allowance	✗		
Housing	✓ Usually cash, typically a reduction from “full” expatriate housing amount	✓	✓
Education	✓	✓	✓
Home Leave	✓	✗	✗
Social Security / Pension	Enhanced	MPF or supplemental	CPF or cash in lieu
Medical	Enhanced or Int'l Plan	Local	Local

✓ Prevalent

✓ Less common / limited

✗ Never or rarely provided



Considerations and Insights

Considerations for both Localisation or Local Plus

- What are your key talent competitors doing?
- Let exceptions be guided by principle so you avoid precedents that limit your future options
- Consider by job level, or by types of roles or expertise
- Consider demographics, values and engagement drivers
- How will practices vary by location? Tax environment?
- Social security and benefits can be tricky
- Trends are evolving steadily, carefully
- Avoid extremes; the aim is to strike the right balance
- Lack of local succession/development

An integrated mobility talent management strategy

**The right
PEOPLE...**

**in the right PLACES
and ROLES...**

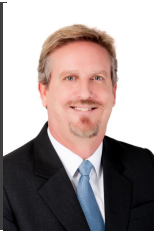
**at the right
COST...**

**For the right length of
TIME and RESULT...**



Questions?

Questions and contacts



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Questions

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