GLOBAL MOBILITY TRENDS IN ASIA

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Mercer

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INTRODUCTION

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Regional Practice Leader, Global Mobility
Asia, Middle East, Africa & Turkey
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<table>
<thead>
<tr>
<th>Strategies for Filling Talent Gap in Asia</th>
<th>ASEAN</th>
<th>India</th>
<th>China</th>
<th>Japan</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support mobility and job rotation</td>
<td>54%</td>
<td>48%</td>
<td>36%</td>
<td>34%</td>
<td>38%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Attract foreign talent</td>
<td>46%</td>
<td>12%</td>
<td>11%</td>
<td>23%</td>
<td>17%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Invest in reskilling current employees</td>
<td>31%</td>
<td>48%</td>
<td>48%</td>
<td>54%</td>
<td>48%</td>
<td>33%</td>
<td>56%</td>
</tr>
<tr>
<td>Hire more short-term workers</td>
<td>31%</td>
<td>---</td>
<td>---</td>
<td>9%</td>
<td>5%</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Collaborate with educational institutions</td>
<td>23%</td>
<td>28%</td>
<td>18%</td>
<td>---</td>
<td>17%</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>Target female talent</td>
<td>15%</td>
<td>---</td>
<td>20%</td>
<td>23%</td>
<td>36%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Target minorities’ talent</td>
<td>8%</td>
<td>12%</td>
<td>---</td>
<td>---</td>
<td>12%</td>
<td>---</td>
<td>19%</td>
</tr>
<tr>
<td>Collaborate, other companies in same industry</td>
<td>8%</td>
<td>---</td>
<td>---</td>
<td>11%</td>
<td>---</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Collaborate, companies across industries</td>
<td>---</td>
<td>8%</td>
<td>11%</td>
<td>14%</td>
<td>---</td>
<td>33%</td>
<td>---</td>
</tr>
</tbody>
</table>

Source: Future of Jobs Report, World Economic Forum
ADOPTING ALTERNATIVE APPROACHES TO FILL TALENT GAP

ALL RESPONDENTS (N = 301)

- 89% SHORT-TERM
- 88% LONG-TERM
- 76% PERMANENT
- 59% TALENT DEVELOPMENT
- 50% INTRA REGIONAL
- 46% COMMUTERS
- 31% GLOBAL NOMADS

APAC (N = 55)

- 86% SHORT-TERM
- 82% LONG-TERM
- 67% PERMANENT
- 51% TALENT DEVELOPMENT
- 46% INTRA REGIONAL
- 36% COMMUTERS
- 33% GLOBAL NOMADS

Source: Alternative International Assignments Policies and Practices Survey (AIA)
APAC SALARY DIFFERENTIALS

TARGET BASE COMPENSATION FOR FUNCTION HEAD

Source: Mercer Total Remuneration Survey (2016)
ESTABLISHING THE BASE SALARY FOR FOREIGNERS ON A LOCAL PLUS APPROACH

According to the local pay structure only (without adjustment)

According to the local pay structure with premium/adjustment

Case by case

Primarily through local HR/Management guidance

Direct conversion of home salary to host currency using latest exchange rate

Depends on assignment type

ALL RESPONDENTS (N=109)

37% 57% 9% 6% 3%

APAC N = 38

55% 66% 50% 29% 29%

Source: Mercer 2016 Local-plus and Location Specific Survey
**COMMON PAY APPROACHES IN CHINA**

<table>
<thead>
<tr>
<th>Locally Hired</th>
<th>Foreigner</th>
<th>Locally Hired</th>
<th>Returnee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local plus policy - (Premium salary + Premium benefits)</td>
<td>25%</td>
<td>6%</td>
<td>29%</td>
</tr>
<tr>
<td>Local plus policy - (Local salary + Premium benefits)</td>
<td>45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local policy - (Local salary + Local benefits)</td>
<td></td>
<td></td>
<td>71%</td>
</tr>
</tbody>
</table>

* Other approaches include global policy, intra-regional policy and local plus policy (Premium salary + Local benefits)

Source: 2016 Mercer TRS for LHF/Returnee
Mercer Mobility Forums
Asia, Middle East, Africa & Turkey
MAKE TOMORROW, TODAY
REGIONAL OVERVIEW
WHAT IS ASIA? - GEOGRAPHIC DEFINITION

- World’s largest and most populous continent
- 48 UN member states (+6 non UN states)

<table>
<thead>
<tr>
<th>Region</th>
<th>Population (2017)</th>
<th>%</th>
<th>Yearly Change</th>
<th>Net Change</th>
<th>Area (Km²)</th>
<th>Fert. Rate</th>
<th>Med. Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>4,478,315,164</td>
<td>59.60%</td>
<td>0.95%</td>
<td>42,090,691</td>
<td>31,034,755</td>
<td>2.2</td>
<td>30</td>
</tr>
<tr>
<td>Africa</td>
<td>1,246,504,865</td>
<td>16.60%</td>
<td>2.50%</td>
<td>30,375,050</td>
<td>29,678,687</td>
<td>4.71</td>
<td>19</td>
</tr>
<tr>
<td>Europe</td>
<td>739,207,742</td>
<td>9.80%</td>
<td>0.05%</td>
<td>358,740</td>
<td>22,131,968</td>
<td>1.6</td>
<td>42</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>647,565,336</td>
<td>8.60%</td>
<td>1.02%</td>
<td>6,536,030</td>
<td>20,110,725</td>
<td>2.15</td>
<td>29</td>
</tr>
<tr>
<td>Northern America</td>
<td>363,224,006</td>
<td>4.80%</td>
<td>0.75%</td>
<td>2,694,682</td>
<td>18,626,872</td>
<td>1.86</td>
<td>38</td>
</tr>
<tr>
<td>Oceania</td>
<td>40,467,040</td>
<td>0.5</td>
<td>1.42%</td>
<td>565,685</td>
<td>8,430,633</td>
<td>2.42</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Worldometer
... However, many organizations have a different definition of “Asia”
Asia as an economy has tremendous potential because...

From 2000 – 2010, incomes rose on average by 96%.
Rapid emergence of a new Middle-Class of consumers.

By 2050, Asia will account for 45% of the world population.
Asia will house one of the youngest and largest workforces, numbering around 3 billion and representing 52% of the global workforce.

The ASEAN Economic Community (AEC) launched in 2015.

9 of the 10 fastest growing megacities in the world are in Asia.

This will add 1 billion new consumers and a total purchasing power in excess of $10 trillion.

The region has been resilient through the global financial crisis and has experienced consistent average annual GDP growth rates between 5% to 8%.

Source: Forbes 2014
ASEAN (ASSOCIATION OF SOUTH-EAST ASIAN NATIONS)

Core idea
Free movement of goods, services, investment, labor and freer flow of capital.
- Facilitate movement of skilled and professional labor in cross border trade
- Enhance movement of students
- Harmonize qualifications

WHAT WILL BE THE IMPACT?

14 Million Additional jobs in ASEAN by 2025:

GROWTH by job families
- Sales and Related
- Management
- Business, Legal and Financial

A HIGHLY DIVERSE REGION

<table>
<thead>
<tr>
<th>Cost of Living:</th>
<th>Hong Kong = 2\textsuperscript{nd}</th>
<th>• Kolkata, India = 194\textsuperscript{th}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Living:</td>
<td>Singapore = 26\textsuperscript{th}</td>
<td>• Dhaka, Bangladesh = 211\textsuperscript{th}</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Yangon, Myanmar – 201\textsuperscript{st}</td>
</tr>
<tr>
<td>Income Tax:</td>
<td>Japan = 55.95%</td>
<td>• Brunei = 0%</td>
</tr>
<tr>
<td></td>
<td>China = 45%</td>
<td>• Mongolia = 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Macau = 12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hong Kong = 15%</td>
</tr>
</tbody>
</table>

• Inflation ranging from 1\% to 30\%
• 80 Languages
• Intense competition for talent, leading to wage inflation
“One Belt and One Road”

- Launched in September and October 2013 by Chinese leader Xi Jinping.

- The Silk Road Economic Belt and the 21st-century Maritime Silk Road, also known as One Belt, One Road.

- A development strategy and framework aimed at connectivity and cooperation between China and the rest of Eurasia, consisting of two main components:
  - Land-based "Silk Road Economic Belt" (SREB)
  - "Maritime Silk Road" (MSR).

- The strategy underlines China's push to take a bigger role in global affairs, and its need for meet market demands in many areas, primarily steel manufacturing.
Beijing facilitates permanent residence of foreign talent

Beijing Public Security Bureau, implemented **20 new immigration policies** have been implemented starting March 1, 2016.

High-level foreign talent will enjoy a simpler application process for visas, immigration and permanent residence in Beijing.

The “Thousand Talents Program”

This is a talent recruitment program established by the Government of China in 2008, to attract high level technical experts and scientists to work in China.

Preferential policies and treatments include:

- Enabling working conditions;
- Special living benefits: high pay and visa privileges
KEY TRENDS IN EXPATRIATE COMPENSATION
DO YOU PAY AN INCENTIVE PREMIUM TO YOUR TYPICAL LONG-TERM ASSIGNEES?

- Yes: 33% (Asia-Pacific: 43%)
- No: 67% (Asia-Pacific: 57%)

WHAT TYPE OF INCENTIVE PREMIUM DO YOU PROVIDE?

- ASIA-PACIFIC:
  - Ongoing: 75%
  - Lump-sum: 22%
  - Other: 3%

- WORLDWIDE:
  - Ongoing: 63%
  - Lump-sum: 32%
  - Other: 5%

Source: 2015 Worldwide International Assignment policies & Practices Survey
DO YOU REQUIRE A CONTRIBUTION FROM THE ASSIGNEE TO HOUSING COSTS (DEDUCT A HOME HOUSING NORM)?

- No, we offer free housing: 61%
- Yes: 40%

ON WHICH EMPLOYEE VARIABLES IS THE HOST HOUSING ALLOWANCE /BUDGET BASED?

- Family size and income/position level: 46%
- Income/position level: 24%
- Family size: 23%
- It is a fixed amount (same for all assignees): 3%
- Other: 3%

Source: 2015 Worldwide International Assignment policies & Practices Survey
DO YOU PROVIDE A COMPANY CAR BENEFIT/ALLOWANCE TO YOUR ASSIGNEES?

**WORLDWIDE (N=807)**

- 49% It depends on the host-country car policy
- 25%
- 15%
- 13%
- 9%
- 8%
- 6%

**ASIA-PACIFIC (N=166)**

- 47% It depends on the host-country car policy
- 31%
- 11%
- 7%
- 13%
- 9%
- 5%

It depends on the position level of the employee

- Yes, to all assignees
- It depends on the position level of the employee
- No
- Case by case
- Other

Source: 2015 Worldwide International Assignment policies & Practices Survey
**SPouse Support**

**DO YOU HAVE A WRITTEN POLICY ON SPOUSE/PARTNER SUPPORT FOR YOUR TYPICAL LONG-TERM ASSIGNEES?**

**WORLDWIDE (N=773)**

- **47%** We don’t have a policy nor do we support the issue.
- **37%** We have a corporate policy that provides guidelines.
- **9%** We do not have a policy and handle issues case by case.
- **5%** Other.
- **2%** We do not have a policy, but are developing or planning to develop one.

**APAC (N=157)**

- **64%** We don’t have a policy nor do we support the issue.
- **23%** We have a corporate policy that provides guidelines.
- **8%** We do not have a policy and handle issues case by case.
- **3%** Other.
- **3%** We do not have a policy, but are developing or planning to develop one.

Source: 2015 Worldwide International Assignment policies & Practices Survey
**LOCATION ALLOWANCE (HARDSHIP)**

**DO YOU PROVIDE HARDSHIP PREMIUM WHEN APPLICABLE?**

- Yes: 30%
- No: 12%
- Not applicable: 58%

**DO YOU CAP OR LIMIT THE AMOUNT PAID AS A HARDSHIP PREMIUM?**

- Yes: 78%
- No: 22%

Source: 2015 Worldwide International Assignment policies & Practices Survey
LOCAL-PLUS TRENDS
Ease of localization is also highly dependent on home-host country combination.
IN WHICH COUNTRIES DO YOU HAVE THE HIGHEST NUMBER OF ASSIGNEES ON A LOCAL OR LOCAL PLUS APPROACH?

Source: 2016 Local Plus and Location-Specific policies and practices survey
Typical cases where a local plus approach is used – comparison against 2013

For permanent/one way (open-ended) transfers
- 2016: 46%
- 2013: 44%

For internationally hired foreigners
- 2016: 35%
- 2013: 37%

After a maximum duration on an expatriate package (localization)
- 2016: 16%
- 2013: 37%

In certain assignment locations
- 2016: 30%
- 2013: 37%

For certain position levels
- 2016: 32%
- 2013: 29%

For locally hired foreigners
- 2016: 32%
- 2013: 35%

Source: 2016 Local Plus and Location-Specific policies and practices survey
### What is the "Plus" in "Local-Plus"?

<table>
<thead>
<tr>
<th>Service</th>
<th>2016 Percentage</th>
<th>2017 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Filing Assistance</td>
<td>73%</td>
<td>58%</td>
</tr>
<tr>
<td>Host Housing</td>
<td>70%</td>
<td>79%</td>
</tr>
<tr>
<td>Children Education</td>
<td>68%</td>
<td>63%</td>
</tr>
<tr>
<td>Tax Briefing Assistance</td>
<td>64%</td>
<td>37%</td>
</tr>
<tr>
<td>Home Leave</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>Medical Benefit</td>
<td>51%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: 2016 Local Plus and Location-Specific policies and practices survey
ONGOING VS. ONE-TIME ALLOWANCE/ASSISTANCE – ALL RESPONDENTS RESULTS

**ONGOING**
- Host Housing: 84%
- Medical Benefit: 91%
- Education: 87%
- Home Leave: 72%
- Tax Filing: 42%

**ONE-TIME**
- Tax Filing: 46%
- Tax Briefing: 73%

**+ RELOCATION ITEMS**

Source: 2016 Local Plus and Location-Specific policies and practices survey
## What is the “local” in “local-plus”?

<table>
<thead>
<tr>
<th>Hiring Country</th>
<th>Comp1 = Base Salary</th>
<th>Comp2 = Base Salary + Allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China (N=427)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff (276)</td>
<td>-44%</td>
<td>-32%</td>
</tr>
<tr>
<td>Prof (76)</td>
<td>-14%</td>
<td>5%</td>
</tr>
<tr>
<td>Mgmt (64)</td>
<td>-12%</td>
<td>2%</td>
</tr>
<tr>
<td>TopMgmt(11)</td>
<td>-26%</td>
<td>-11%</td>
</tr>
<tr>
<td>India (N=1262)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff (225)</td>
<td>-42%</td>
<td>-27%</td>
</tr>
<tr>
<td>Prof (406)</td>
<td>-14%</td>
<td>-9%</td>
</tr>
<tr>
<td>Mgmt (578)</td>
<td>-53%</td>
<td>-55%</td>
</tr>
<tr>
<td>TopMgmt(53)</td>
<td>-45%</td>
<td>-33%</td>
</tr>
<tr>
<td>Malaysia (N=446)</td>
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</tr>
<tr>
<td>Staff (275)</td>
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<td>-29%</td>
</tr>
<tr>
<td>Prof (107)</td>
<td>-29%</td>
<td>-30%</td>
</tr>
<tr>
<td>Mgmt (49)</td>
<td>-25%</td>
<td>-21%</td>
</tr>
<tr>
<td>TopMgmt(15)</td>
<td>-50%</td>
<td>-34%</td>
</tr>
<tr>
<td>Thailand (N=28)</td>
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<td></td>
</tr>
<tr>
<td>Staff (2)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prof (8)</td>
<td>32%</td>
<td>59%</td>
</tr>
<tr>
<td>Mgmt (14)</td>
<td>0%</td>
<td>26%</td>
</tr>
<tr>
<td>TopMgmt (4)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Indonesia (N=46)</td>
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<tr>
<td>Staff (4)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prof (16)</td>
<td>14%</td>
<td>42%</td>
</tr>
<tr>
<td>Mgmt (25)</td>
<td>-1%</td>
<td>6%</td>
</tr>
<tr>
<td>TopMgmt (1)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Philippines (N=271)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff (132)</td>
<td>-22%</td>
<td>-10%</td>
</tr>
<tr>
<td>Prof (89)</td>
<td>-41%</td>
<td>-34%</td>
</tr>
<tr>
<td>Mgmt (39)</td>
<td>-19%</td>
<td>13%</td>
</tr>
<tr>
<td>TopMgmt (11)</td>
<td>-48%</td>
<td>-37%</td>
</tr>
<tr>
<td>Australia (N=163)</td>
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</tr>
<tr>
<td>Staff (1)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prof (34)</td>
<td>90%</td>
<td>150%</td>
</tr>
<tr>
<td>Mgmt (85)</td>
<td>28%</td>
<td>49%</td>
</tr>
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<td>TopMgmt (43)</td>
<td>-22%</td>
<td>-16%</td>
</tr>
<tr>
<td>USA (N=74)</td>
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<tr>
<td>Staff (0)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prof (14)</td>
<td>116%</td>
<td>147%</td>
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<tr>
<td>Mgmt (39)</td>
<td>33%</td>
<td>54%</td>
</tr>
<tr>
<td>TopMgmt (21)</td>
<td>-37%</td>
<td>-26%</td>
</tr>
<tr>
<td>Philippines (N=271)</td>
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</tr>
<tr>
<td>Staff (132)</td>
<td>-22%</td>
<td>-10%</td>
</tr>
<tr>
<td>Prof (89)</td>
<td>-41%</td>
<td>-34%</td>
</tr>
<tr>
<td>Mgmt (39)</td>
<td>-19%</td>
<td>13%</td>
</tr>
<tr>
<td>TopMgmt (11)</td>
<td>-48%</td>
<td>-37%</td>
</tr>
</tbody>
</table>

Comp1 = Base Salary
Comp2 = Base Salary + Allowances
COMMON PAY APPROACHES IN CHINA

Locally Hired Foreigner
- 25% Local plus policy - (Premium salary + Premium benefits)
- 45% Local policy - (Local salary + Local benefits)
- 21% Local policy - (Local salary + Premium benefits)

Locally Hired Returnee
- 6% Local plus policy - (Premium salary + Premium benefits)
- 29% Local plus policy - (Local salary + Premium benefits)
- 71% Local policy - (Local salary + Local benefits)

* Other approaches include global policy, intra-regional policy and local plus policy (Premium salary + Local benefits)

Source: 2016 Mercer TRS for LHF/Returnee
LOCAL PLUS ANALYSIS
COMPARISON OF BASE SALARIES FOR LOCAL VS LOCAL PLUS ACROSS JOB LEVELS

*Based on regressed data*

**Singapore:** Overall the difference in salary ranges between 1%-8%. For Executive group it is about 12%.

**Malaysia:** Foreigners on Local Plus are generally paid significantly higher amounts of Annual Base Salary as compared to Local employees (10% to 25% higher). The exception is para-professional level, where the salary is about 5% lower for the foreigners.

**Hong Kong:** Overall the difference in salary ranges between 4%-9%.
LOCAL PLUS ANALYSIS
COMPARISON OF SALARIES + ALLOWANCES FOR LOCAL VS LOCAL PLUS ACROSS JOB LEVELS

**Singapore:** When allowances are added, the overall difference is 11%-25%. For Executive group it is higher, and is recorded at 34%.

**Malaysia:** Foreigners on Local Plus are paid significantly higher as compared to Local employees (22% to 37% higher). The exception is para-professional level, where the compensation is only about 5% higher for the foreigners.

**Hong Kong:** Overall the difference between the compensation for local employees and foreigners on local plus packages is 22-29%.

*Based on regressed data*

Source: Mercer Total Remuneration Survey (2016)
HOW DO YOU HANDLE STATUTORY BENEFITS?

**ALL RESPONDENTS (N=110)**
- 76%: Per local country
- 9%: Depends on location
- 9%: Best of home and host locations
- 4%: It depends on the assignment type
- 3%: Case by case

**APAC N = 38**
- 58%: Per local country
- 18%: Depends on location
- 13%: Best of home and host locations
- 5%: It depends on the assignment type
- 5%: Case by case
## BENEFITS PROVIDED TO ASSIGNEES ON LOCAL PLUS APPROACH

### Pension Plan

<table>
<thead>
<tr>
<th></th>
<th>All Respondents (N=110)</th>
<th>APAC (N=38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No plan</td>
<td>9%</td>
<td>16%</td>
</tr>
<tr>
<td>Enrolled</td>
<td>44%</td>
<td>34%</td>
</tr>
</tbody>
</table>

### Savings Plan

<table>
<thead>
<tr>
<th></th>
<th>All Respondents (N=110)</th>
<th>APAC (N=38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No plan</td>
<td>26%</td>
<td>37%</td>
</tr>
<tr>
<td>Enrolled</td>
<td>38%</td>
<td>32%</td>
</tr>
</tbody>
</table>

### Health Insurance

<table>
<thead>
<tr>
<th></th>
<th>All Respondents (N=109)</th>
<th>APAC (N=37)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No plan</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Enrolled</td>
<td>45%</td>
<td>38%</td>
</tr>
</tbody>
</table>

### Death and Disability Benefit

<table>
<thead>
<tr>
<th></th>
<th>All Respondents (N=110)</th>
<th>APAC (N=38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No plan</td>
<td>3%</td>
<td>45%</td>
</tr>
<tr>
<td>Enrolled</td>
<td>60%</td>
<td></td>
</tr>
</tbody>
</table>

- No plan for Local Plus
- Enrolled in the Local Plan