EXPATRIATE MANAGEMENT IN ASIA
AGENDA

From macro-economic trends to HR issues

Spotlight on locals and outbound Asian assignees

Spotlight on Asia inbound assignees
FROM MACRO-ECONOMIC TRENDS TO HR ISSUES

MAKE TOMORROW, TODAY
FROM MACRO-ECONOMIC TRENDS TO HR ISSUES
DIFFERENT PLACES, DIFFERENT PHASES

Source: Mercer Global Compensation Planning Report Q1 2015
<table>
<thead>
<tr>
<th>Country</th>
<th>Overall</th>
<th>Starting a Business</th>
<th>Dealing with Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Protecting Investors</th>
<th>Paying Taxes</th>
<th>Enforcing Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>28</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6</td>
<td>16</td>
<td>43</td>
<td>21</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td>Thailand</td>
<td>18</td>
<td>91</td>
<td>14</td>
<td>12</td>
<td>29</td>
<td>73</td>
<td>12</td>
<td>70</td>
<td>22</td>
</tr>
<tr>
<td>China</td>
<td>96</td>
<td>158</td>
<td>185</td>
<td>119</td>
<td>48</td>
<td>73</td>
<td>98</td>
<td>120</td>
<td>19</td>
</tr>
<tr>
<td>Vietnam</td>
<td>99</td>
<td>109</td>
<td>29</td>
<td>156</td>
<td>51</td>
<td>42</td>
<td>157</td>
<td>149</td>
<td>46</td>
</tr>
<tr>
<td>Philippines</td>
<td>108</td>
<td>170</td>
<td>99</td>
<td>33</td>
<td>121</td>
<td>56</td>
<td>128</td>
<td>131</td>
<td>114</td>
</tr>
<tr>
<td>Indonesia</td>
<td>120</td>
<td>175</td>
<td>88</td>
<td>121</td>
<td>101</td>
<td>86</td>
<td>52</td>
<td>137</td>
<td>147</td>
</tr>
<tr>
<td>India</td>
<td>134</td>
<td>173</td>
<td>182</td>
<td>111</td>
<td>92</td>
<td>28</td>
<td>34</td>
<td>156</td>
<td>186</td>
</tr>
</tbody>
</table>

Source: Doing Business 2013, International Finance Corporation (IFC) / World Bank
FROM MACRO-ECONOMIC TRENDS TO HR ISSUES
CHINA IN TRANSITION: THE ELEPHANT IN THE ROOM

Source: National Bureau of Statistics of China IMA Asia
2004-2014 Mercer Total Remuneration Survey
THE “LOCALS”: COMPENSATION ISSUES
INTERNATIONAL PERSPECTIVE

Source: Mercer Total Remuneration Survey 2014 - USD
FROM MACRO-ECONOMIC TRENDS TO HR ISSUES
PAY PROGRESSION TO HIGHER LEVEL

BEIJING ALL INDUSTRIES VS. TIANJIN ALL INDUSTRIES
(ANNUAL BASE SALARY IN CNY)

1 USD = 6.20 CNY; 1 EURO = 6.72 CNY (as of 1 April 2015)

Source: Mercer China TRS – Beijing All Industries Office and Tianjin
FROM MACRO-ECONOMIC TRENDS TO HR ISSUES
IMPLICATIONS FOR MOVES FROM, TO AND WITHIN ASIA

- The local talent pool and potential Asia outbound expatriates have high turnover rate and salary increase expectations
- Attractiveness imbalance between locations
- Cost effectiveness remains a complex picture
- The salary structures in the region make using a mix of compensation approaches possible and even desirable
- Different employees categories on the market: locals, expatriates, locally-hired foreigners and returnees
SPOTLIGHT ON LOCALS

MAKE TOMORROW, TODAY
Greatest planned increase of assignments are assignments from and within Asia

Talent is scarce. Premium on international experience and managerial skills

Competitions between local and foreign multinationals and across industries (e.g. from manufacturing to IT)

Same mobility approaches as in other region but more local plus and increasingly different expectations
**CHANGING TALENT LANDSCAPE - CHINA**

**TOP 10 BEST EMPLOYERS RANKED BY UNIVERSITY STUDENTS**

<table>
<thead>
<tr>
<th>2003 Best Employers</th>
<th>2014 Best Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Haier</td>
<td>1 China Mobile</td>
</tr>
<tr>
<td>2 IBM</td>
<td>2 Bank of China</td>
</tr>
<tr>
<td>3 Microsoft</td>
<td>3 Huawei</td>
</tr>
<tr>
<td>4 Lenovo</td>
<td>4 Microsoft</td>
</tr>
<tr>
<td>5 P&amp;G</td>
<td>5 Baidu</td>
</tr>
<tr>
<td>6 General Electric</td>
<td>6 ICBC</td>
</tr>
<tr>
<td>7 Motorola</td>
<td>7 P&amp;G</td>
</tr>
<tr>
<td>8 Huawei</td>
<td>8 QQ</td>
</tr>
<tr>
<td>9 China Mobile</td>
<td>9 Alibaba</td>
</tr>
<tr>
<td>10 Siemens</td>
<td>10 Dalian Wanda Group</td>
</tr>
</tbody>
</table>

Among top 50, **16** were local companies and **34** were multinationals.

Among top 50, **35** were local companies and **15** were multinationals.

*Source: 2003-14 HR Best Employers Survey*
ATTRACTION AND RETENTION
CAREER AND REWARD DRIVERS FOR ASIAN EMPLOYEES

China
- Becoming performance driven.
- Quick pay and career progression.
- Vertically minded.
- Employee owns career.

Japan/Korea
- Age, service, and level drive structure.
- Levels strictly defined.
- Vertically minded.
- Many grades.
- Company owns career.

Singapore
- Partly westernised in thinking, but tempered by Asian needs for hierarchy.
- Compensation structures comparable to the US and Europe.
- Employee owns career.

India
- Competition for talent.
- Performance orientation.
- Best practice.
- Variable pay critical to managing performance and cost.
ATTRACTING TOP TALENT

Increase starting salary, allowances and sign-on bonus
• Local companies may have deeper pockets and more flexibility

Work on the brand recognition
• Understand the brand is not as strong as in Europe/US
• Participate in local community

Up to 1/3 of workforce with less than 1 year service
• Pressure on induction, culture, training, managers, etc.

Fast recruitment process
• Quick approvals and offers
• Be willing to take calculated risks

Show them a future
• Typical development plan and career path
• International assignment as part of development
• Future salary progression
• Beware of the perceived “bamboo/glass ceiling” in multinationals.
Employees in Asian markets expect frequent “promotions” … break up your grades
- Instead of B, C, D … have B1, B2, B3, C1, C2, C3, etc.

Title expansion is a common practice
- Use one set of titles externally, e.g. director in China
- A different set internally

Do not apply mature market HR/staff headcount ratios

Training and development critical
- Develop the skills in the job, not before

Need frequent salary increases – not just annual?
Impact on expat packages
Need to consider criteria for promotion
MOBILISING TOP TALENT

Repatriation promise?

Duration of assignments:
Risk of being passed in terms of promotion
Short –term or short long-term developmental moves

Talent segmentation is essential:
Are assignees part of a regional talent pool or a global one?
Once assignees are out of the region, they are harder to repatriate

Family issues
Family responsibilities, extended families, limited assistance for the elderly available at home

Schooling – a differentiator

Quality of living
From hardship to non-hardship but with a decrease in lifestyle?
The cultural aspect of hardship
SPOTLIGHT ON ASIA-INBOUND ASSIGNEES

MAKE TOMORROW, TODAY
The traditional expatriate is not quite dead yet... but the business case for sending one is subject to discussion
Still widely used for new operations (e.g. tier 2 locations), skills transfer and developmental moves
Balance sheet is prevalent but local and local plus are increasingly used
Location attractiveness is a challenge: e.g. Singapore and Shanghai versus tiers 2 Chinese and India cities
INBOUND ASSIGNEES
LOCALLY HIRED FOREIGNERS

- Foreigners hired on local terms and conditions.
- Increasingly found in China, Singapore and Hong Kong
- This category is one of the drivers behind the growth of Local/Local Plus approaches
**INBOUND ASSIGNEES / RETURNEES**

- Western-educated professionals returning to mainland China.
- Number are increasing and are competing for jobs with both locals and expatriates.
- A diverse group including both international experts and young graduates with limited work experience who have lived abroad only for a few years.
- Not all returnees receive a market premium but some still do.

海龟 / 海归 hǎiguī ("sea-turtle")
# Local Plus in Asia

## Variations of Local Plus in Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Traditional expatriates</th>
<th>Locally hired foreigners</th>
<th>Returnees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China</strong></td>
<td>Balance sheet approach</td>
<td>Local Plus</td>
<td>Local</td>
</tr>
<tr>
<td></td>
<td>Local Plus</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Singapore &amp; Hong Kong</strong></td>
<td>Balance sheet approach</td>
<td>Local Plus</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Local Plus</td>
<td>Local</td>
<td></td>
</tr>
<tr>
<td><strong>India, Indonesia, Philippines</strong></td>
<td>Balance sheet approach</td>
<td>Balance sheet approach</td>
<td>Local Salary</td>
</tr>
</tbody>
</table>
LOCAL PLUS PACKAGES IN ASIA
HOW TO DETERMINE THE BASE SALARY?

Local

Pure Local
Inflated Local for foreigners
Local for returnees

Net to Gross
Tax difference
Purchasing power difference
Housing costs difference

Moving to a new salary
Taking into account current salary
<table>
<thead>
<tr>
<th>Expatriate allowances / benefits</th>
<th>China</th>
<th>Hong Kong</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-of-living allowance</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Mobility / foreign service premium</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Hardship allowance</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Housing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Home leave</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Social security / pension</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Common: ✔
Less common / limited: ☑️
Never or rarely provided: ✗
HOUSING ISSUES

Monthly rents in USD

2-bedroom unfurnished apartment

Source: Mercer's Cost-of-Living September 2014 surveys – Table 2
COST-OF-LIVING ISSUES

Source: Cost of Living (Mean to Mean) September 2014 surveys.
**COST-OF-LIVING ISSUE: CURRENCY FLUCTUATIONS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
<th>Apr 14</th>
<th>Apr 15</th>
<th>% Change of EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td>CNY</td>
<td>8.493.239</td>
<td>6.659.026</td>
<td>-21.60%</td>
</tr>
<tr>
<td>HONG KONG</td>
<td>HKD</td>
<td>10.730.344</td>
<td>8.408.184</td>
<td>-21.64%</td>
</tr>
<tr>
<td>INDIA</td>
<td>INR</td>
<td>84.404.633</td>
<td>67.706.538</td>
<td>-19.78%</td>
</tr>
<tr>
<td>INDONESIA</td>
<td>IDR</td>
<td>15.791.312.881</td>
<td>14.170.373.313</td>
<td>-10.26%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>JPY</td>
<td>141.391.858</td>
<td>130.405.772</td>
<td>-7.77%</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>SGD</td>
<td>1.752.292</td>
<td>1.492.034</td>
<td>-14.85%</td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>KRW</td>
<td>1.480.255.195</td>
<td>1.206.921.861</td>
<td>-18.47%</td>
</tr>
<tr>
<td>THAILAND</td>
<td>THB</td>
<td>44.790.228</td>
<td>35.351.004</td>
<td>-21.07%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>GBP</td>
<td>0.831289</td>
<td>0.722844</td>
<td>-13.05%</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>USD</td>
<td>1.382.533</td>
<td>1.083.764</td>
<td>-21.61%</td>
</tr>
<tr>
<td>VIETNAM</td>
<td>VND</td>
<td>29.160.108.930</td>
<td>23.221.172.486</td>
<td>-20.37%</td>
</tr>
</tbody>
</table>
HARDSHIP/QUALITY-OF-LIVING ISSUES

Source: Mercer's Quality of Living September 2014 surveys.
SPOTLIGHT ON HARDSHIP
DISAPPEARING OR BARRIER A THREAT TO MOBILITY?

- Steady improvement (China, India) but the gap remains between tiers 1 and tiers 2&3 cities
- Pollution: the remaining challenge
  - Still a major concern for China and India
  - Practical support provided air filtering, masks, information rather than new allowances
  - Issue for assignments with family. More frequent home leaves and single assignments sometimes considered
  - One of the reasons why Beijing and Shanghai are not exiting the hardship category
- Hardship remains a key part of the package but prevalence and amounts are slowly going down
FOOD FOR THOUGHT

MAKE TOMORROW, TODAY
“Traditional expatriates” are still a key component of a mobile workforce in Asia but their legitimacy can be under scrutiny. Managing locals and Asian expats: need to change pace to keep up with high turnover, salary increases and expectations.

Mix of compensation approaches including balance sheet and the different forms of local and local plus: Asia is leading the charge. The clear cut between expatriates and locals is disappearing fast. Policies need to accommodate multiple categories/scenarios.

Allowances, premiums and benefits: slowly decreasing but flexibility needed to accommodate new expectations.