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## Mobility in Asia Managing a successful program

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## Mobility programs

### Managing a successful program

- Introductions
- Global mobility trends
- The Rohm and Haas experience
- Mobility in Asia
- Q & A



## Section 1

# Global mobility trends

## Mobility's classic approach

Balance sheet – supplementary allowances

... developed to maintain parity with home country peers

Tax equalization

Employee pays same tax as at home

Cost of living differential

Maintain home purchasing power in host location, based on the difference in cost of a defined "basket of goods"

Housing differential

Provides host country housing at no greater cost to employee

Quality of living or location allowance

Cash allowance to compensate for difference in quality of life

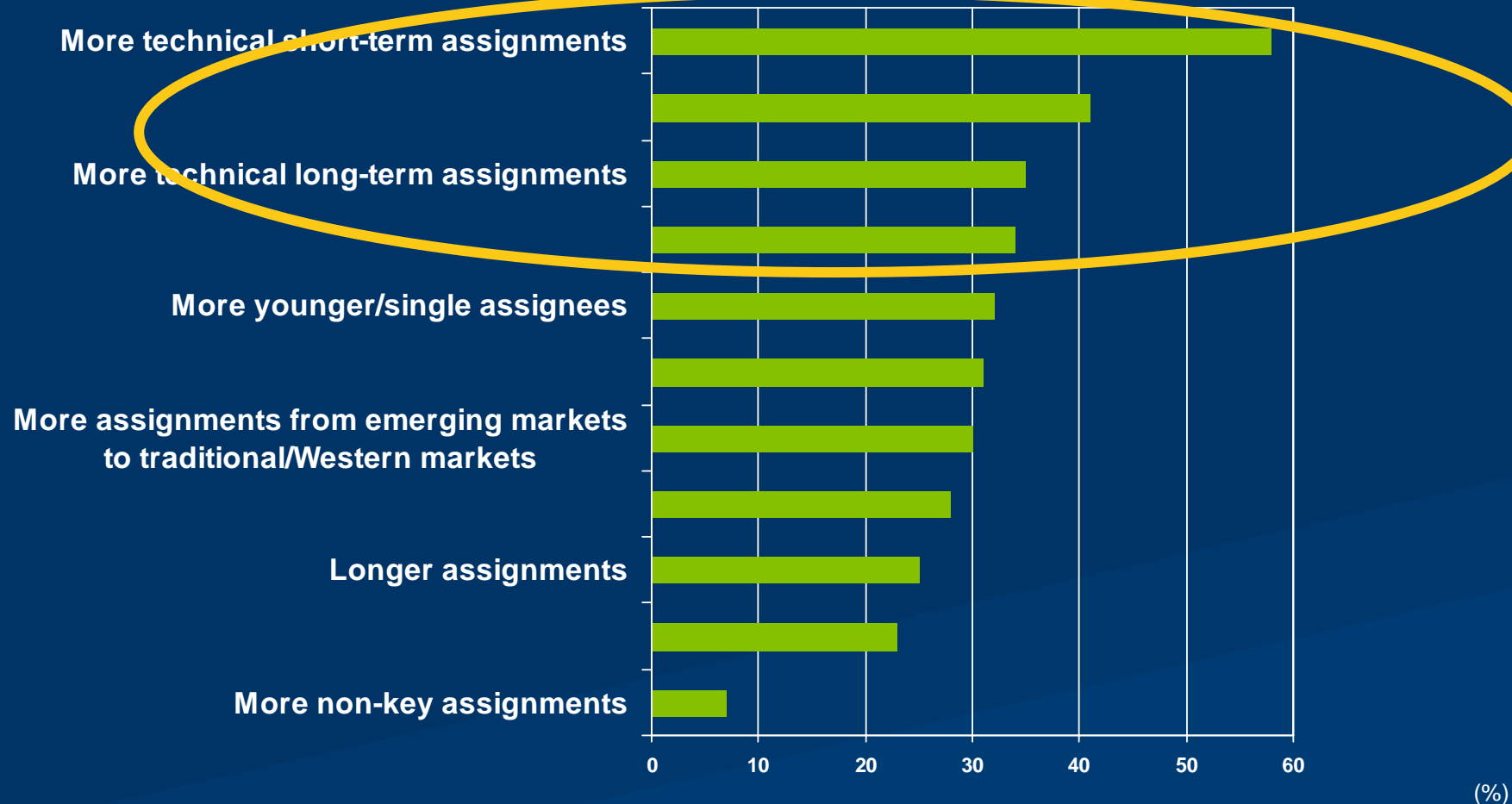
Incentive allowances

Foreign service and mobility premiums – to compensate for living and working abroad

## Market trends

Multinationals anticipate a wider variety of assignment durations and needs as they globalize operations

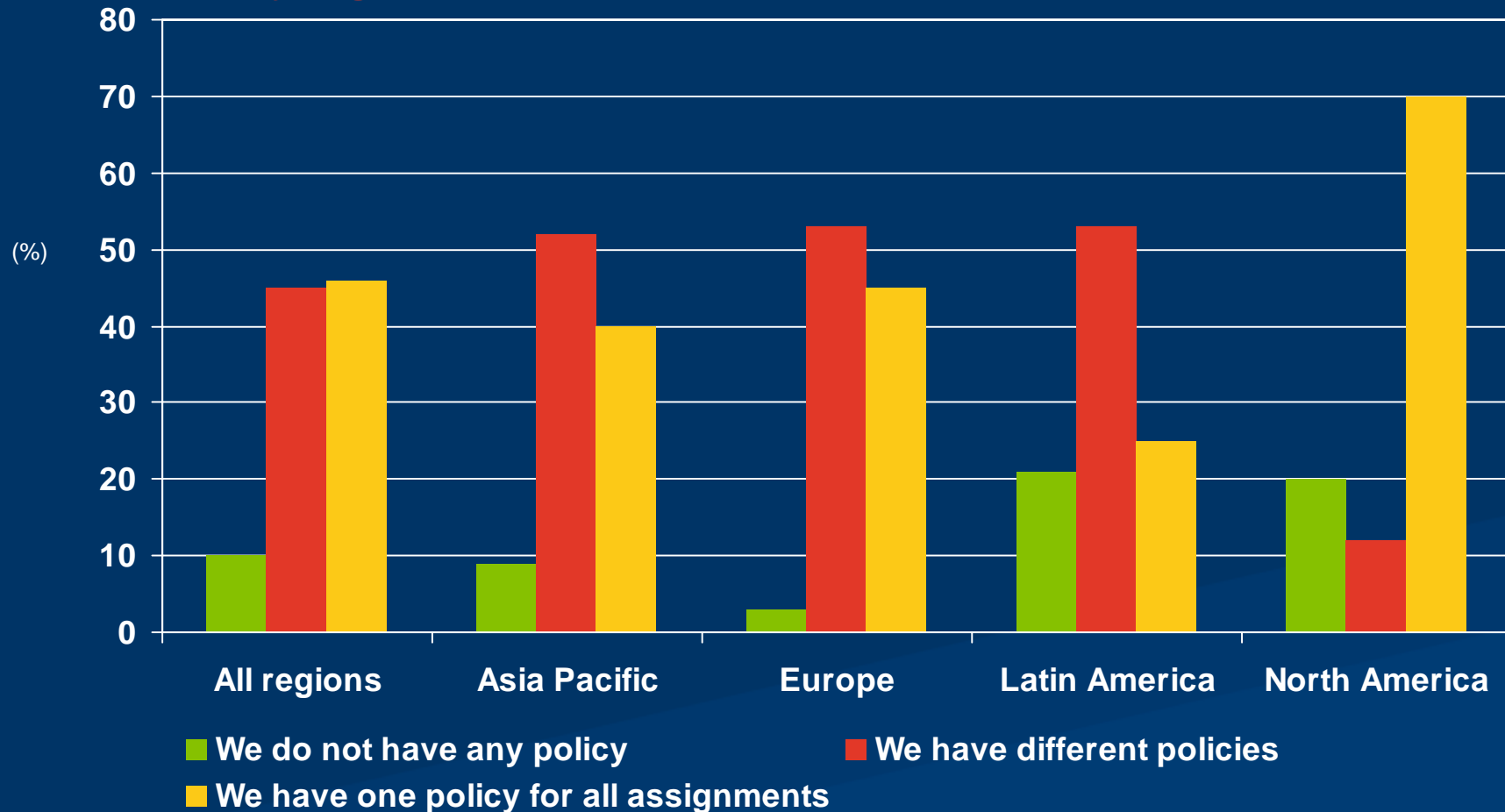
**Question: What changes in global assignment pattern do you anticipate within your company?**



## Market trends

There is a strong global trend toward segmentation of assignments to ensure supports are appropriate to assignment duration and purpose

**Question: Do you have one policy covering all your assignments or different policies? (by region)?**



## How are companies addressing these changes?

- Greater segmentation of assignment types
  - Duration
  - Purpose
  - Level of strategic importance
  - Increased understanding that locations matter
- Greater planned flexibility – one size does not fit all
  - Core/flex plans
  - Use of policy as initial ‘stake in the ground’

**After 50+ years of mobility, why so flexible now?**

**Mobility is now seen as a key tool for globalization and efficient workforce planning. To be sustainable, it must support key moves without unnecessary spending**

## Now there are lots of types of mobility...

### Some typical assignee categories

**Expatriates** – employees deployed on a one-time assignment outside their country for a period of one to five years, after which they will return home

**Permanent transfers** – employees transferred to an assignment outside their country for an indefinite period

**Localized employees** – employees initially on expatriate terms that have transitioned to destination terms after a period of time, usually five years (they are next expected to return to their home country during their career)

**Short-term assignees** – employees on assignments outside their country for more than three but less than 12 months

**Globalists** – career assignees who are highly mobile employees with multiple international assignments: (1) assignments may be consecutive, and (2) the employees seldom return to their home country (if ever) during their career

**International local hires** – employees working outside home location who are hired at host as a 'local' employee

**Intraregional transfers** – employees that typically move from assignment-to-assignment within one region, e.g., within Europe

# Different assignment models address different needs

	Short-term assignment	Long-term assignment	Career assignee	Permanent transfer
Summary	<ul style="list-style-type: none"> <li>Temporary assignment away from home from 3-12 months</li> <li>Unaccompanied by family</li> </ul>	<ul style="list-style-type: none"> <li>12 months - 5 years assignment away from home country</li> <li>Family accompanies</li> </ul>	<ul style="list-style-type: none"> <li>Moves from one country to another for a period 12 months – 5 years</li> <li>Family accompanies</li> </ul>	<ul style="list-style-type: none"> <li>Employee-initiated moves</li> <li>Employee can apply to return to home country for suitable vacancy</li> <li>Resign from home country</li> </ul>
Applies to these appointment types	Includes: <ul style="list-style-type: none"> <li>Short-term</li> <li>Training assignments</li> <li>Leadership development assignments</li> </ul>	Includes: <ul style="list-style-type: none"> <li>Long-term assignments</li> <li>Reduced package may be offered where appropriate</li> </ul>	Includes: <ul style="list-style-type: none"> <li>Those on consecutive assignments of 12 months - 5 years</li> </ul>	Includes: <ul style="list-style-type: none"> <li>Indefinite move; change of employment status from home country to host country</li> </ul>
C&B approach	Home country	Home country	Global/regional plan	Local
Base pay	Home	Home	Global/regional plan	Local
Allowance	<ul style="list-style-type: none"> <li>Per diem</li> <li>Furnished accommodation</li> <li>Utilities costs reimbursed</li> <li>Home leave</li> </ul>	<ul style="list-style-type: none"> <li>COLA</li> <li>Housing</li> <li>Home leave</li> <li>Hardship</li> </ul>	<ul style="list-style-type: none"> <li>Housing</li> <li>Home leave</li> <li>Hardship</li> </ul>	<ul style="list-style-type: none"> <li>Local terms</li> <li>Limited relocation assistance</li> <li>Transitional period may apply, if employee changing from LTA to local station</li> </ul>
Incentive	Home	Home scheme, host measure	Global scale	Local
Benefit	Home	Home standard	International benefits	Local, as possible
Selection criteria	<ul style="list-style-type: none"> <li>Identified on high potential list</li> </ul>	<ul style="list-style-type: none"> <li>Willingness to train successor if necessary</li> <li>Capable of higher level assignments</li> </ul>	<ul style="list-style-type: none"> <li>High adaptability</li> <li>Family willing to live/work in series of locations indefinitely</li> </ul>	<ul style="list-style-type: none"> <li>Live/work at host indefinitely</li> <li>Willingness and ability to change employer to overseas subsidiary</li> </ul>

## Core and flexible benefits

Some assignments are more critical to business success even while the duration and purposes are the same

In these cases, companies may wish to provide benefits beyond the core to some assignees, specifically, tiers of coverage:

Tier 1	<ul style="list-style-type: none"><li>▪ Covers most common and largest items needed for the move</li><li>▪ Ensures employee treatment is consistent with compliance and safety</li></ul>
Tier 2	<ul style="list-style-type: none"><li>▪ Intended to cover the basic needs with some flexible options</li><li>▪ Meets the business need for the most typical assignments</li><li>▪ Ensure adequate support is provided with appropriate offsets</li></ul>
Tier 3	<ul style="list-style-type: none"><li>▪ A full package to be used for assignments where employee and business needs are more extensive</li><li>▪ Provides adequate support with incentives to ensure that key people can be moved</li></ul>

### Some flexible benefits may include:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>▪ Additional relocation allowance</li><li>▪ Appliance allowances – in addition to relocation allowances</li><li>▪ Pre-move trip for housing</li><li>▪ Higher level or flexibility regarding housing assistance</li></ul> | <ul style="list-style-type: none"><li>▪ Additional home leave – two per year or more</li><li>▪ Additional hours of language lessons/cultural training</li><li>▪ Loss on sale of automobile</li><li>▪ Incentive premiums</li><li>▪ Educational premiums</li><li>▪ Medical benefits</li></ul> |
|--|---|



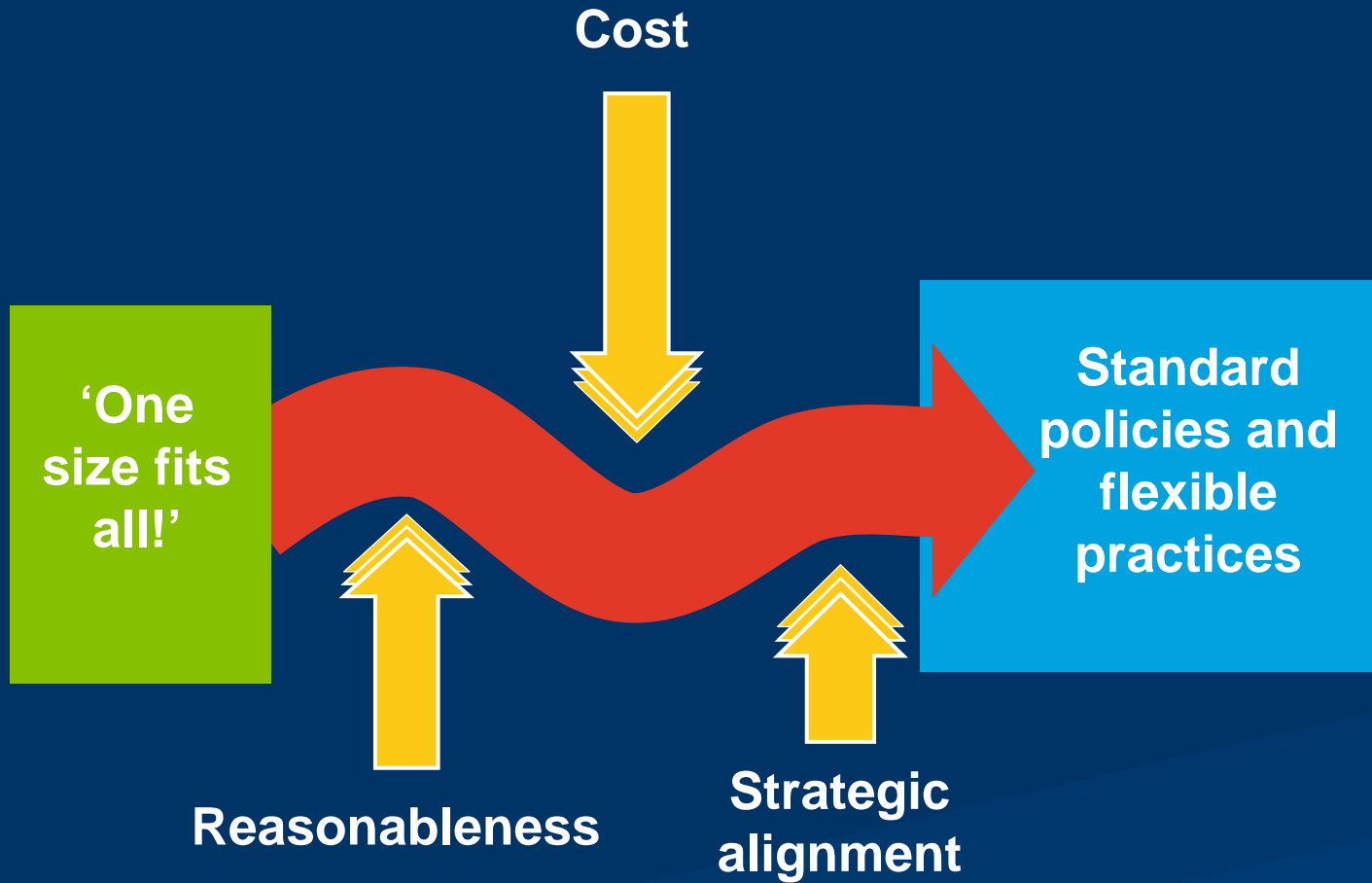
## Section 2

# The Rohm and Haas experience

## Rohm and Haas today

- A global provider of advanced materials
- \$8.9 billion in sales in 2007, well-balanced across the globe
  - Three core business groups:
    - Electronic materials
    - Specialty materials
    - Performance materials
  - 16,000 employees (3,200 employees Asia-Pacific Region or 'APR')

# Then and now...



## Standard intra-regional temporary assignment policy

### Eligibility:

- Current employee on assignments for 1 to 5 years

### Standard provisions:

- Home-based pay and benefits
- Mobility allowance
- Relocation bonus
- Shipment of goods
- Housing
- Children's education
- Tax equalization
- Cola
- Family home leave
- Cultural and language training
- House-hunting trip
- Completion bonus

## Standard regional localization policy

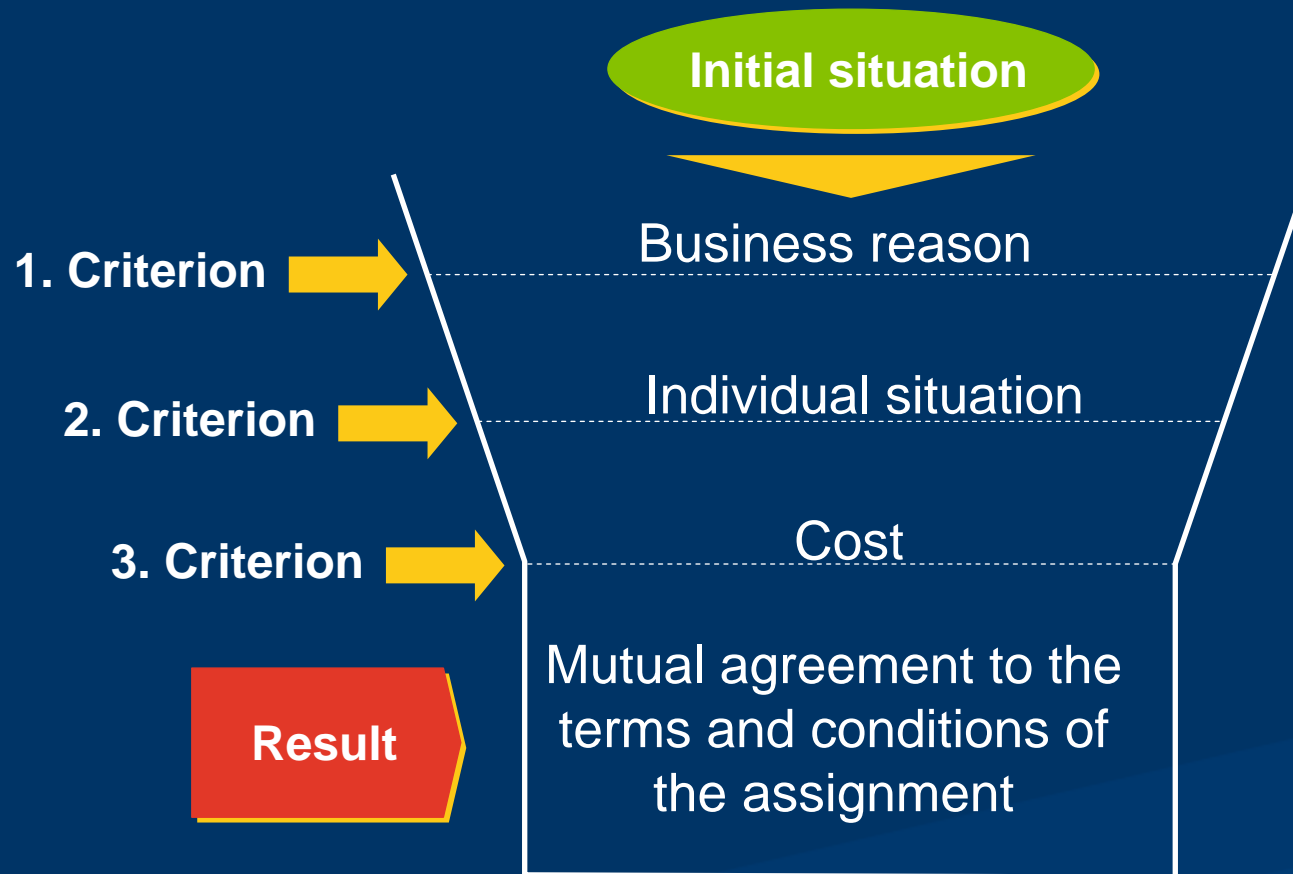
### Eligibility:

- Current employee in either:
  - Temporary assignment to localization
  - Direct localization

### Standard provisions:

- Local pay and benefits
- Mobility allowance
- Relocation bonus
- Shipment of goods
- Housing – 3 to 5 years
- Children's education – 3 to 5 years
- Tax equalization – 1 to 3 years
- Family home leave – 1 for 1st year
- House-hunting trip (for direct only)

# Flexible mobility practices



## Flexible mobility practices

### Eligibility:

- New hire terms and conditions of employment offer
- Self-selected assignments
- Developmental assignments

### Core provisions:

- Home-based pay and benefits for temporary assignments
- Local pay and benefits for localizations
- Mobility allowance
- Shipment of goods

### Flexible provisions:

- Relocation bonus
- Housing
- Tax equalization
- Home leave

# Strengths / weaknesses

## Today

### Strengths

- Accommodating to business and personal needs
- More affordable

### Weaknesses

- Perception of inconsistent application of policy, inequitable treatment, and favoritism
- Administratively more challenging
- Administration varies from location to location

- Implementation of global administrator will ease administrative burden - ensures more consistent adherence to policy
- Developing flexible practices into mobility policies
- Number of assignments will continue to increase
- Need to find ways to control costs

## Tomorrow

### Strengths

### Weaknesses



### Section 3

# Asia mobility

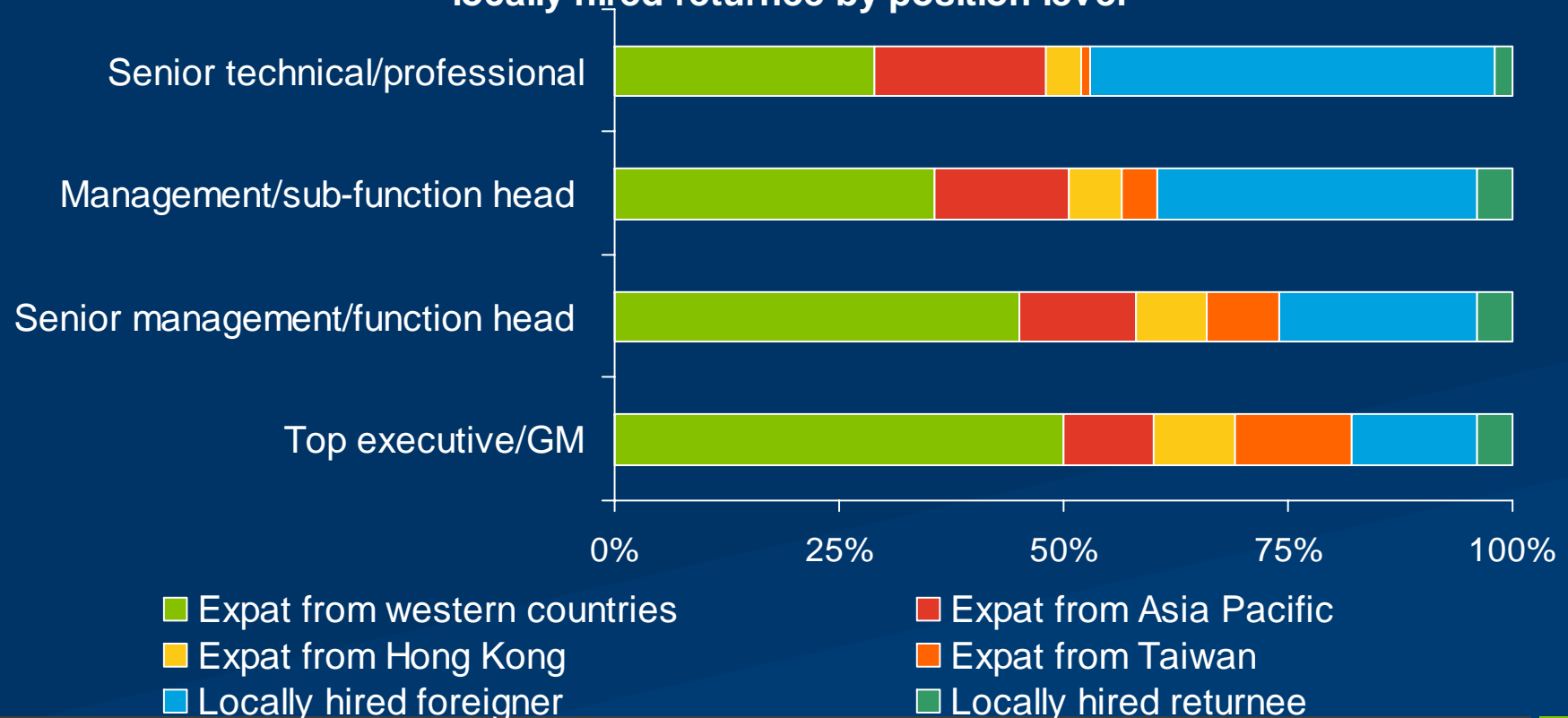
## Key questions companies need to answer when expanding in China and other emerging markets in Asia

- What reward policies and approaches will best support our business plans?
- What consistencies should remain with global guidelines?
- What aspects of the reward offer – compensation and benefits are most important to our employees?
- How do we treat expatriates from different ‘home’ countries, with different passports, with different types of assignments?
  - Do these different employee groups value different things?
- How should we define internal equity?
- What benefits would help us retain critical talent?
  - How can we fill in potential gaps in benefits coverage for expatriates if we do localize?

## Profile of expatriate, locally hired foreigner and locally hired returnee in China

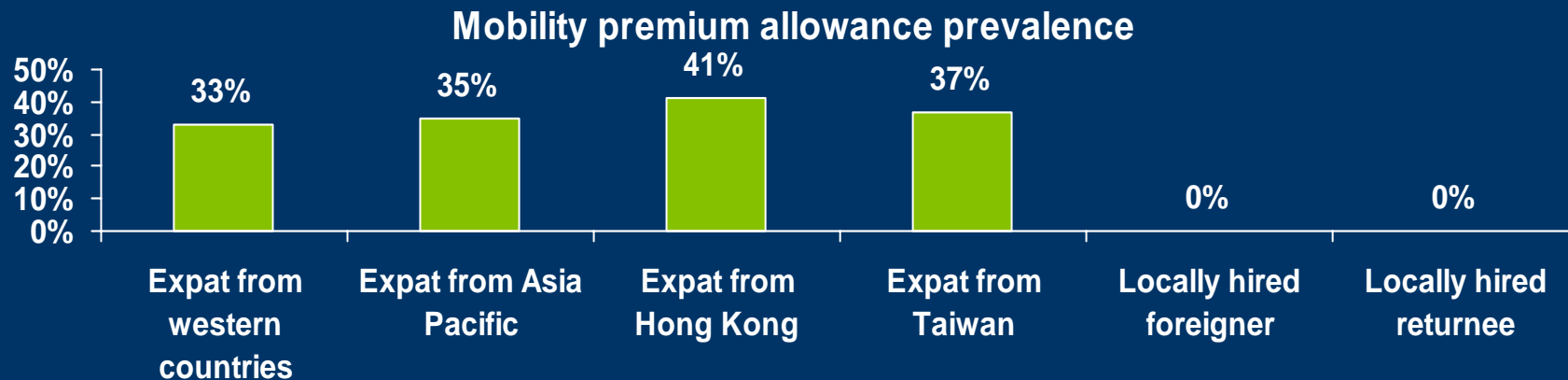
From top executive to professional, the percentage of expatriates from western; expatriates from Hong Kong and expatriates from Taiwan is decreasing, but percentage of expatriates from Asia Pacific and locally hired foreigners is increasing

Distribution of expatriate, locally hired foreigner and locally hired returnee by position level



## Incentive and economic premiums are not typical among those hired locally...

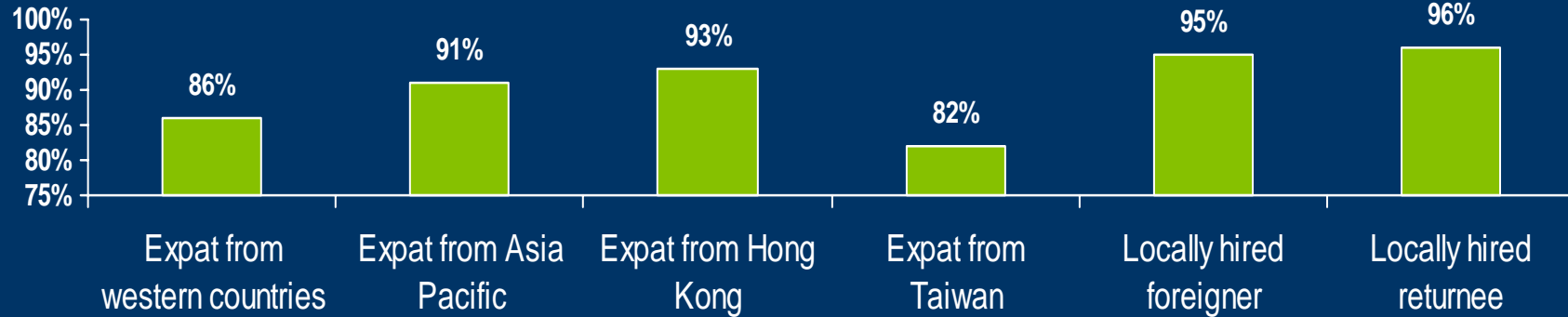
33% – 41% of companies provided mobility premium allowance to expatriates, no company provided it to locally hired foreigner and locally hired returnee



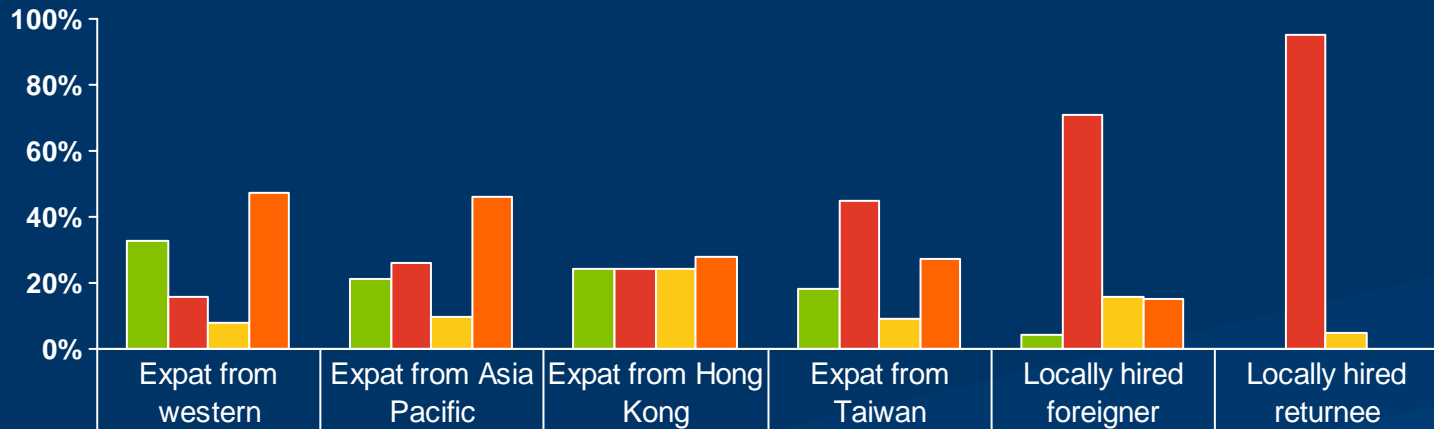
Amount by number of monthly salary per month	Expat from western countries	Expat from Asia Pacific	Expat from Hong Kong	Expat from Taiwan
Average	0.18	0.18	0.16	0.13
25% tile	0.10	0.10	0.10	NA
Median	0.15	0.15	0.10	NA
75% tile	0.24	0.24	0.20	NA

# ... but supplementary medical plans are typical, even for returnees

## Supplementary medical benefit prevalence



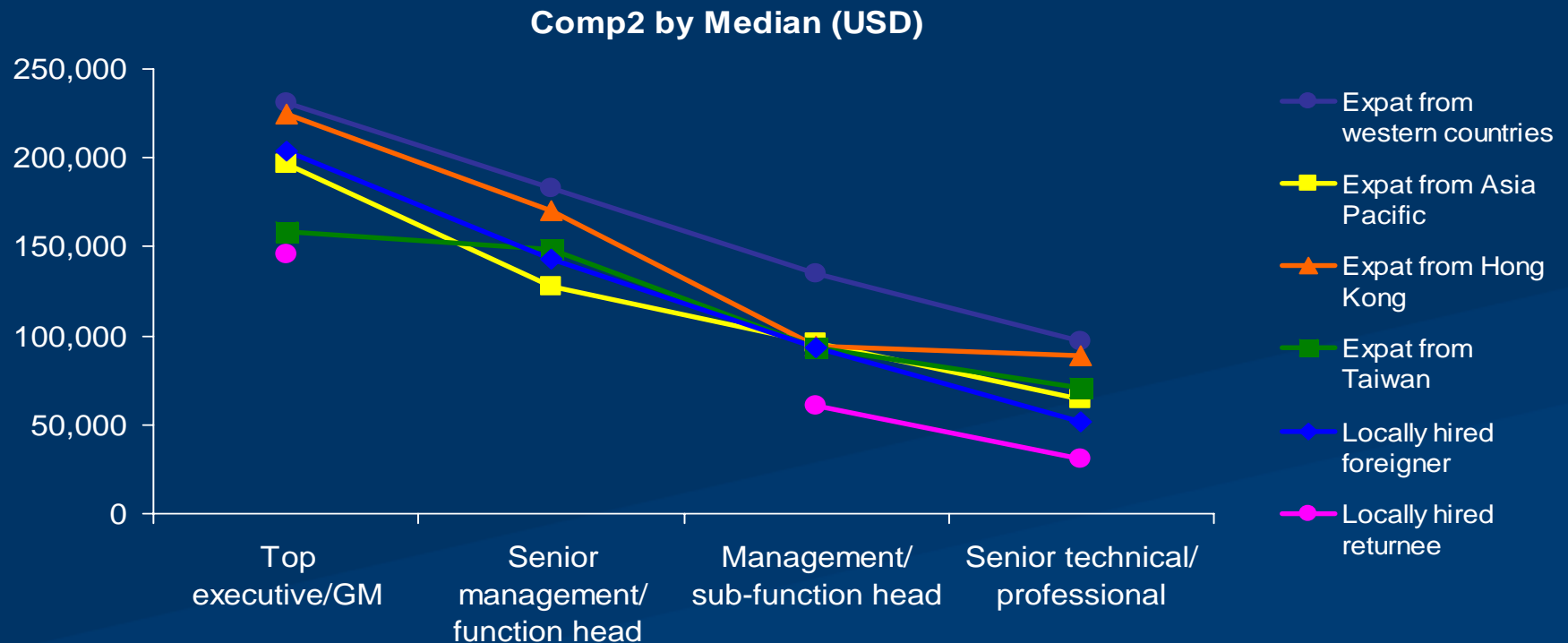
## Supplementary medical benefit provided through



	Expat from western	Expat from Asia Pacific	Expat from Hong Kong	Expat from Taiwan	Locally hired foreigner	Locally hired returnee
Home country plan	33%	21%	24%	18%	4%	0%
Host country (China) plan	16%	26%	24%	45%	71%	95%
Third country plan	8%	10%	24%	9%	16%	5%
Global medical plan	47%	46%	28%	27%	15%	0%

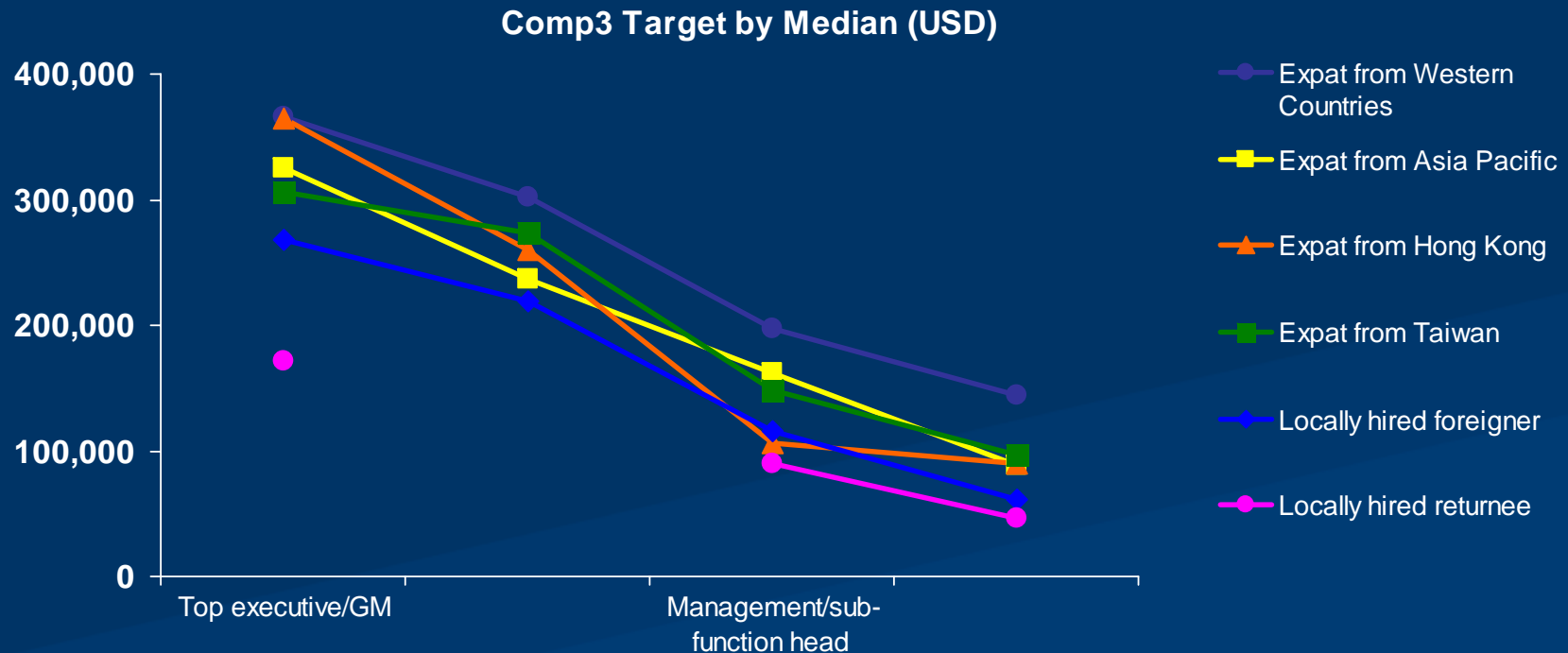
## Actual market data analysis – annual guaranteed cash

- For **top executives**, pay for expatriates from western countries and Hong Kong stood in the same line, pay for locally hired foreigners is a bit higher than for expatriates from AP
- For **senior management/function heads**, pay for expatriates from western countries is highest; expatriates from AP is lowest
- For **management/sub function head** and **professional**, pay for expatriates from western countries is the highest and locally hired returnee is the lowest



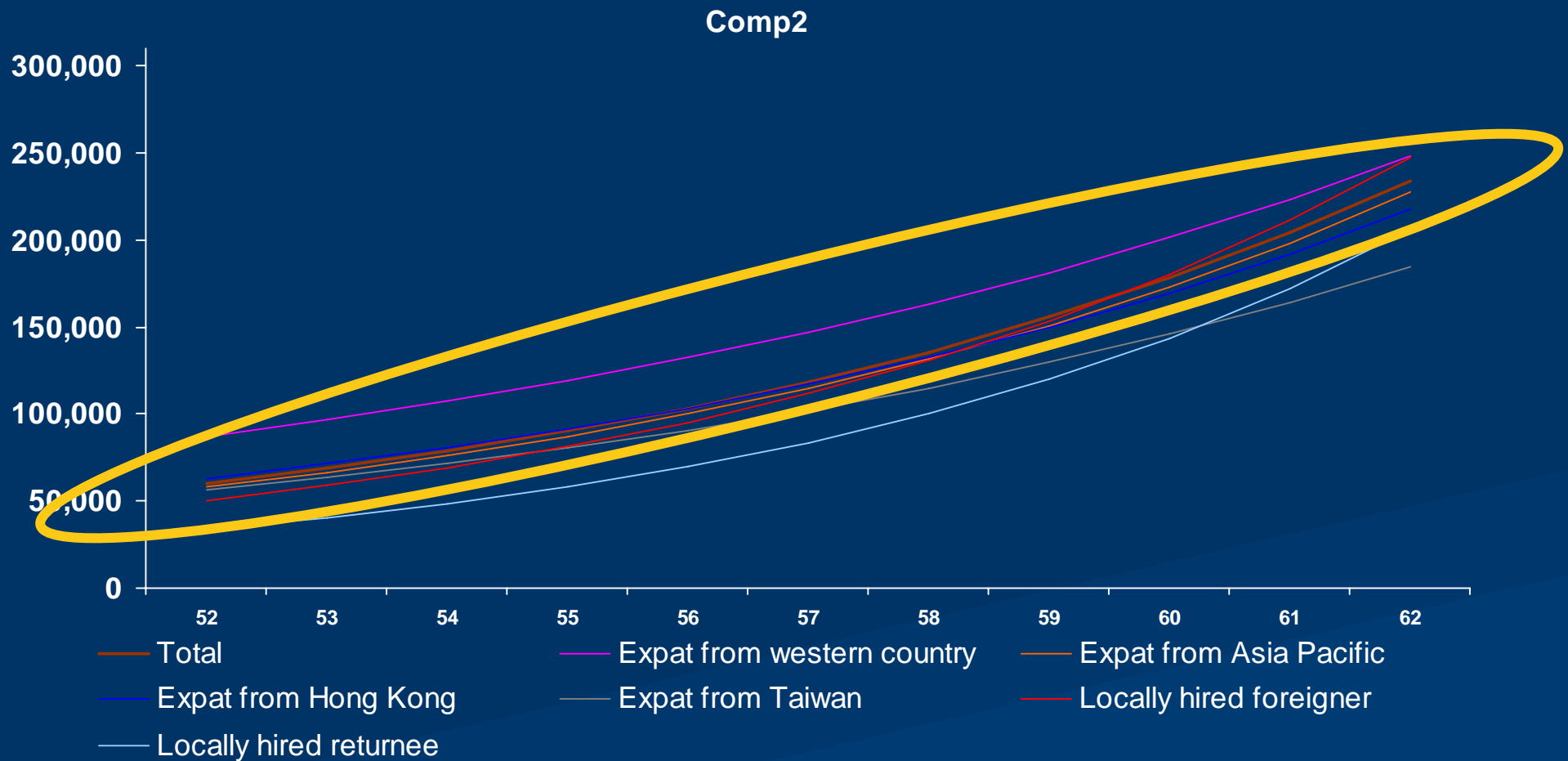
## Actual market data analysis – annual total cash target

- For **top executives**, pay for expatriates from western countries and Hong Kong stood in the same line
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- For **management/sub function head** and **professionals**, pay for expatriates from western countries is the highest; locally hired returnee is the lowest



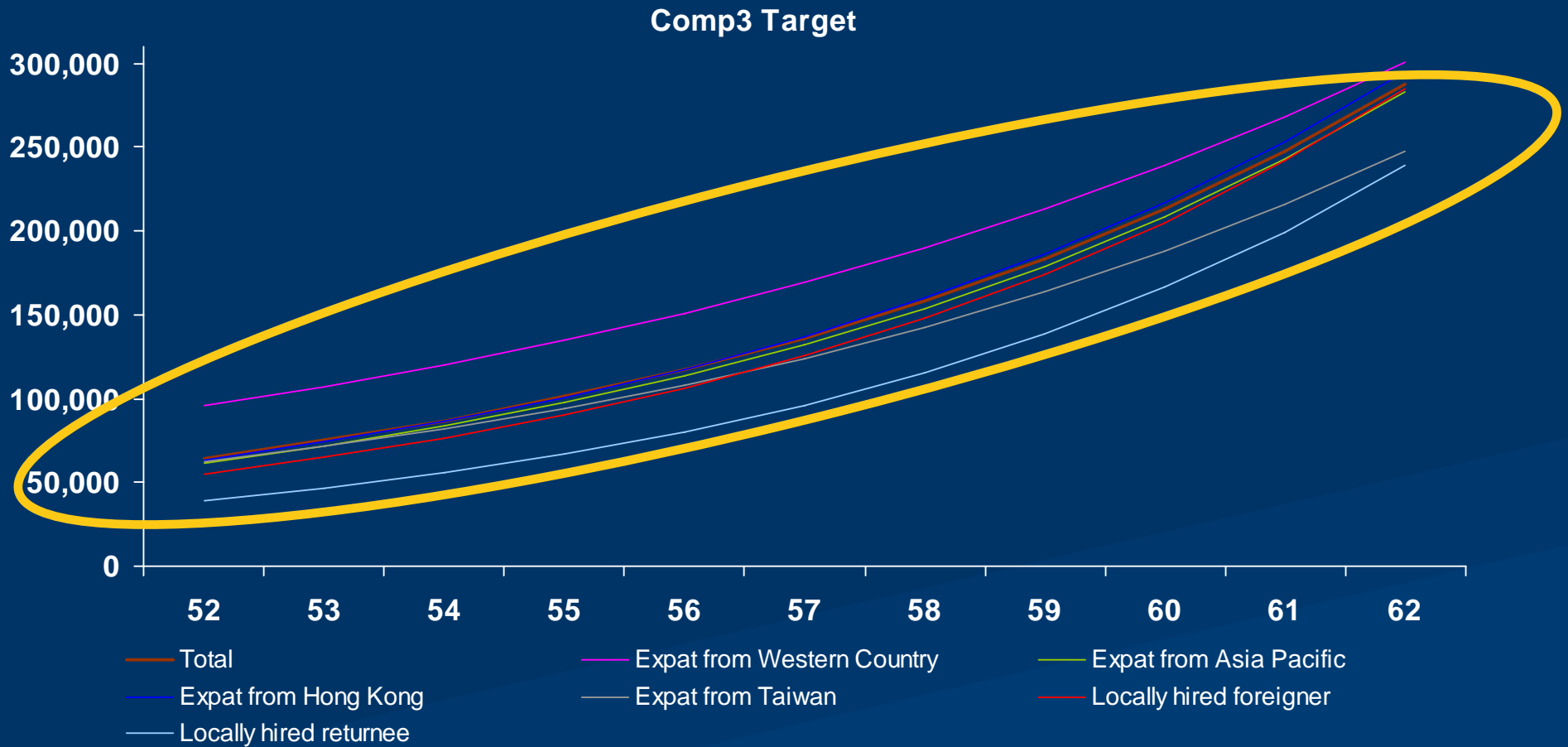
## Regressed market data analysis – annual guaranteed cash by position class

Pay for expatriates from western countries is the highest but locally hired foreigner caught up at PC 62, pay for locally hired returnees exceeded that for expatriates from Taiwan at PC 60



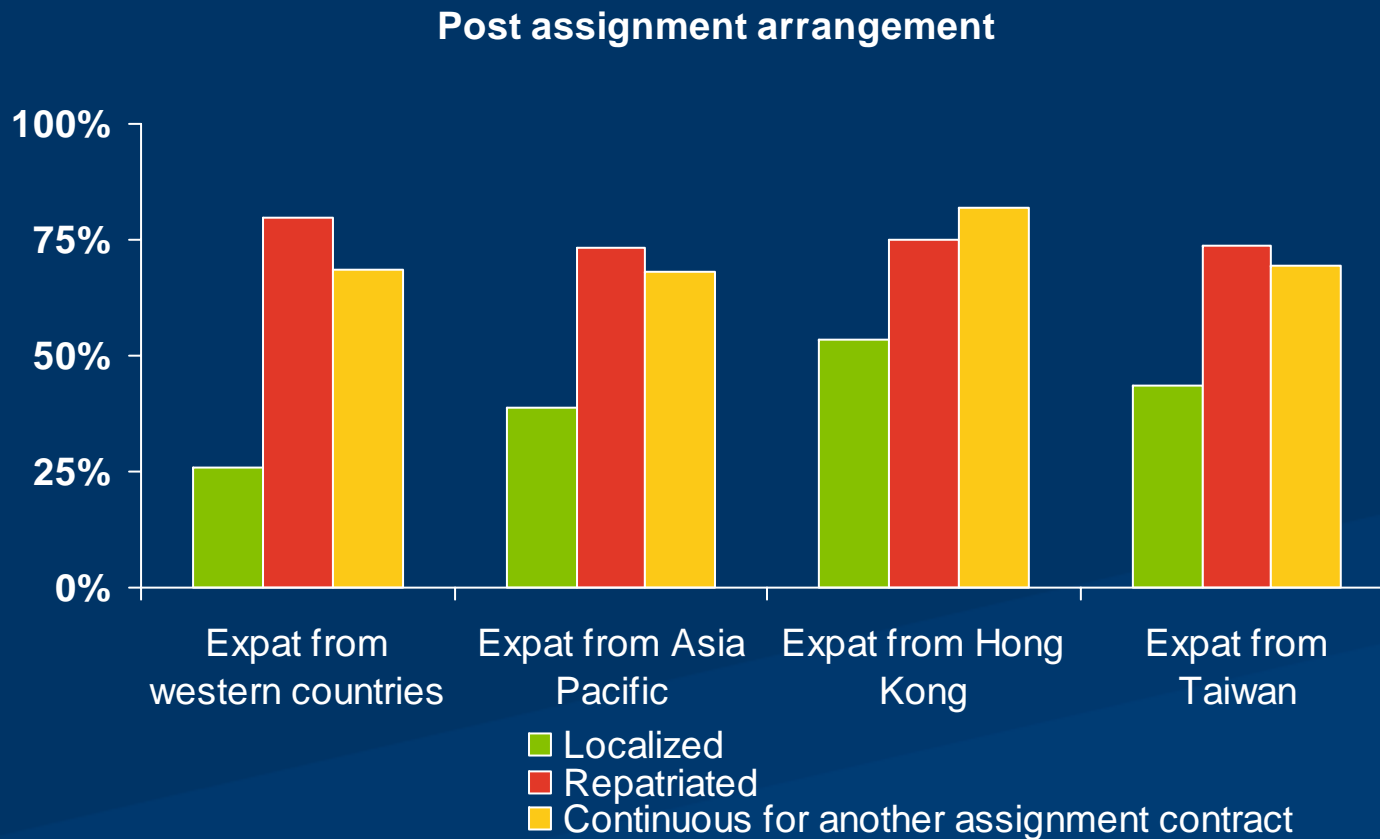
## Regressed market data analysis – annual total cash target by position class

Pay for expatriates from western countries is the highest but expatriates from Hong Kong and locally hired foreigners tried to catch it up at executive level



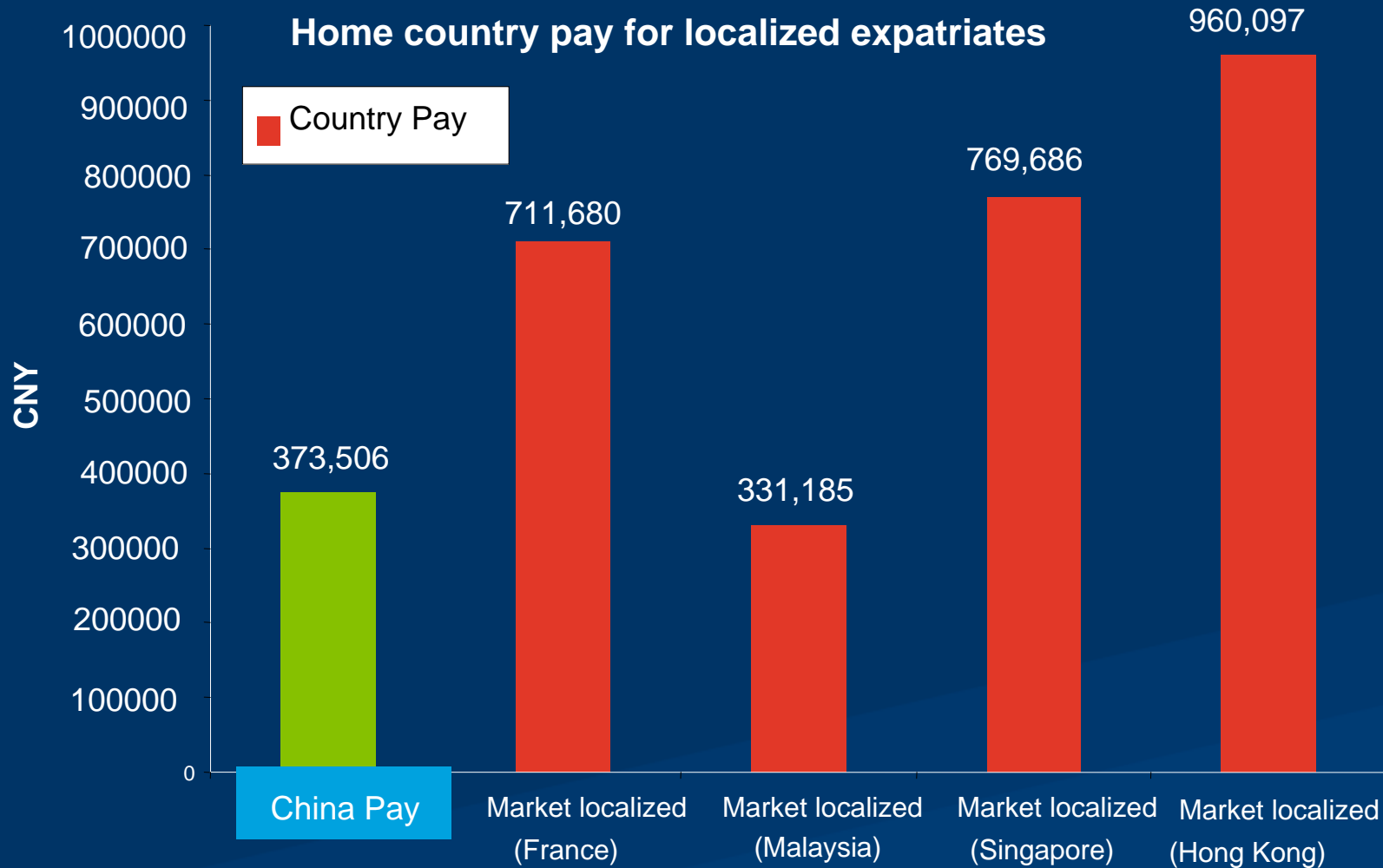
## Post assignment arrangement

Once considered an ideal way to staff China, our most recent research shows that only 26% of companies localized expatriate from western countries



## Full localization packages may fall below market

In China, 50% of companies maintain home country pay so localized pay levels in China may vary widely



A blurred background image showing three people in professional attire. In the center, a woman with long dark hair is smiling and looking towards the left. To her left, a man in a dark suit and red tie is partially visible. To her right, another person is blurred. The background is out of focus, showing what appears to be an office or meeting room with windows and greenery.

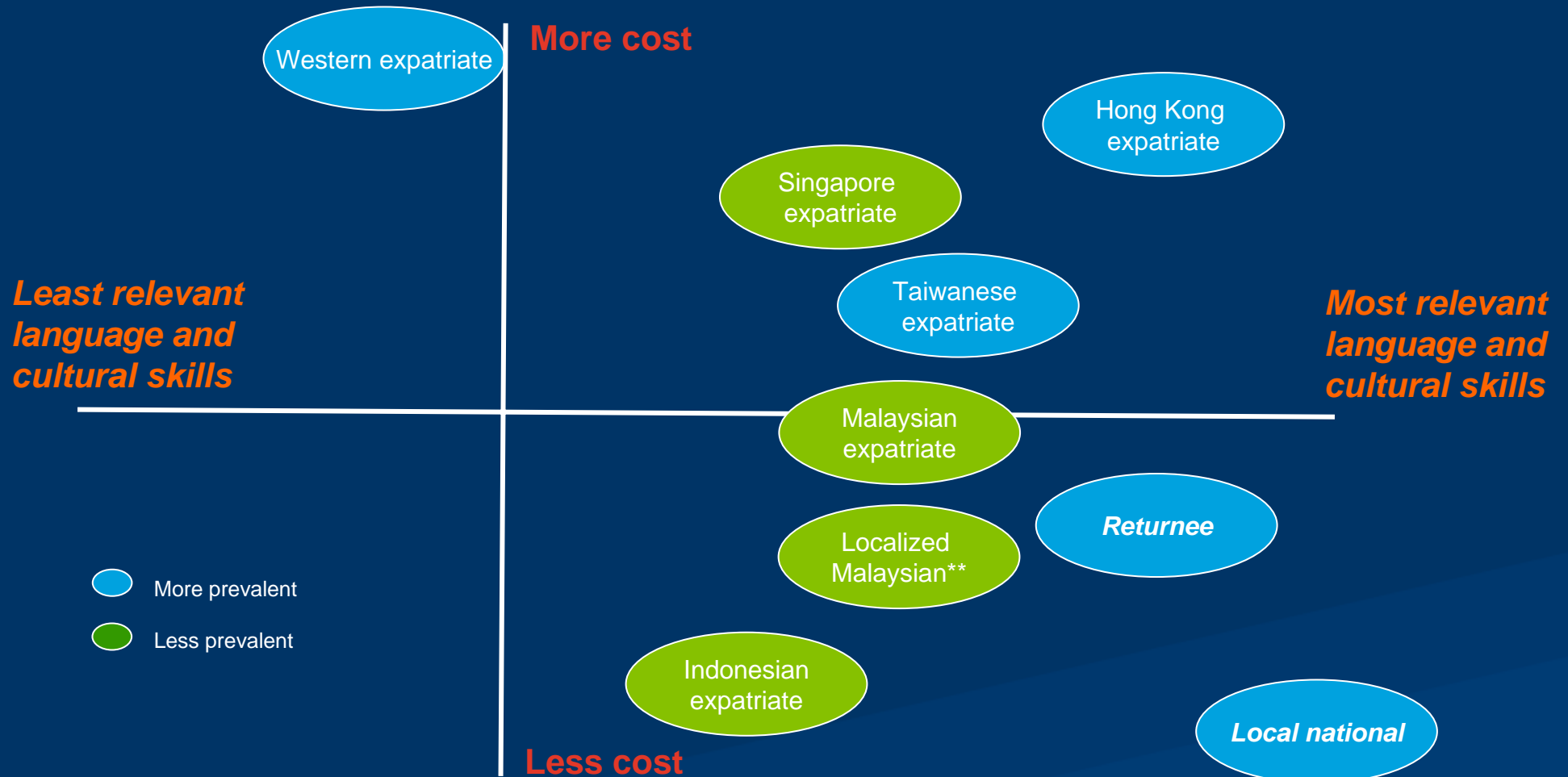
**Questions?**

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# Returnees, local national hires and Hong Kong expatriates may have the most relevant language and cultural skills for transfer to China



\* Tax implications are not included

\*\* Assumes continued home pay level without allowances

# Benefit prevalence

## Top five benefits items

### Locally hired foreigner

1. Medical benefit
2. Insurance
2. Housing benefit
4. Car benefit
5. Home visit assistance

### Locally hired returnee

1. Medical benefit
2. Insurance
2. Housing benefit
4. Car benefit
5. Retirement benefit

### Expat from western countries

1. Housing benefit
1. Insurance
3. Medical benefit
4. Home visit assistance
5. Car benefit

### Expat from Asia Pacific

1. Medical benefit
2. Insurance
2. Housing benefit
4. Home visit assistance
5. Children education benefit

### Expat from Hong Kong

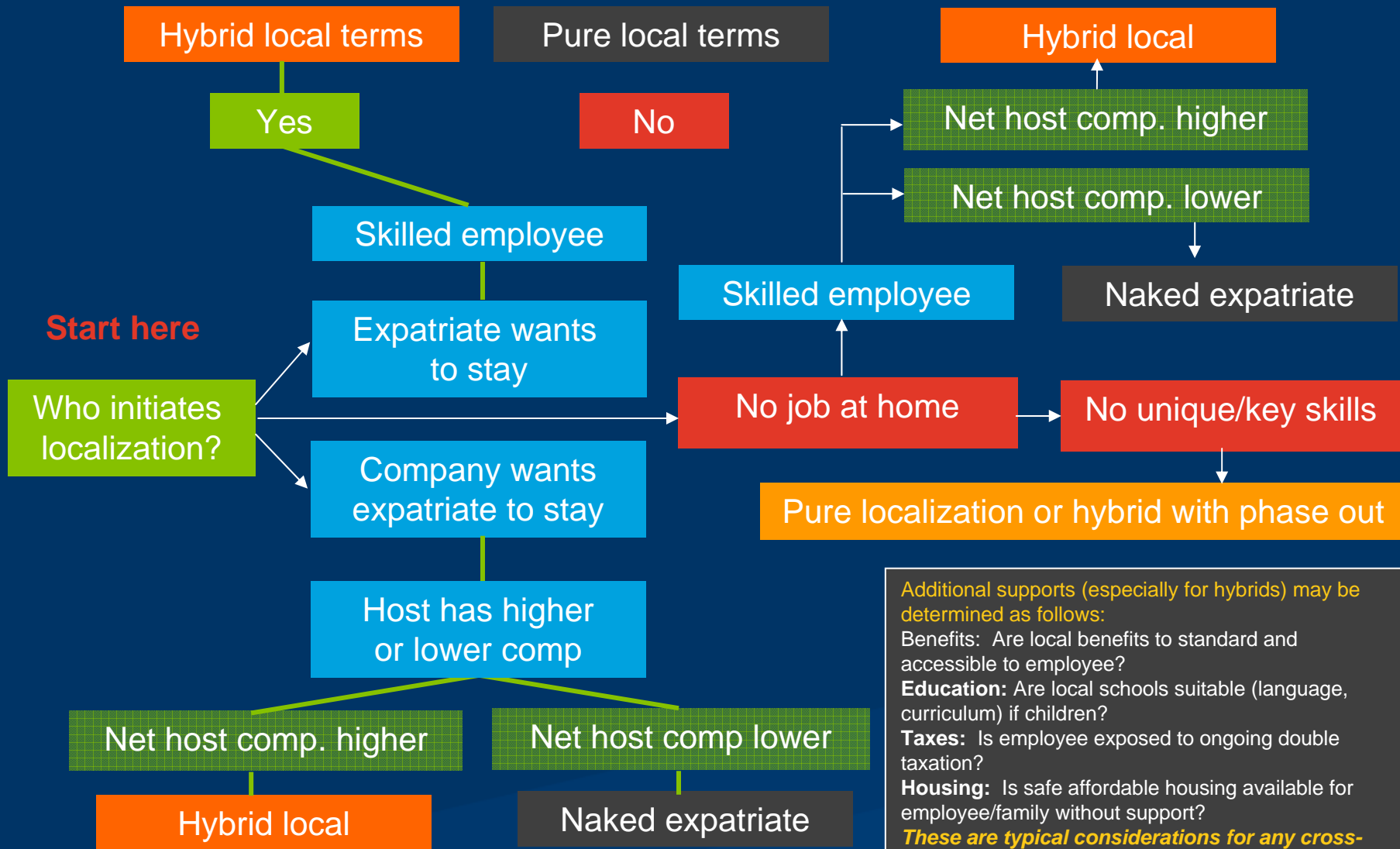
1. Medical benefit
1. Home visit assistance
1. Moving/relocation assistance
4. Insurance
4. Housing benefit

### Expat from Taiwan

1. Home visit assistance
1. Moving/relocation assistance
3. Medical benefit
4. Insurance
4. Housing benefit

Source: Mercer 2007 China Expatriate Survey

# Illustrative decision tree for local transition



Additional supports (especially for hybrids) may be determined as follows:

- Benefits:** Are local benefits to standard and accessible to employee?
- Education:** Are local schools suitable (language, curriculum) if children?
- Taxes:** Is employee exposed to ongoing double taxation?
- Housing:** Is safe affordable housing available for employee/family without support?

*These are typical considerations for any cross-border assignment.*