Today’s Speakers

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Boston

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Toronto

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Agenda
What we’ll cover today

1. Local Plus, a growing trend: Definition and market evidence
2. Local Plus package components overview
3. Building a Local Plus package: Focus on Singapore
4. Implementing Local Plus policies

Questions

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Mercer’s 2014 Local Plus Policies and Practices Surveys

Locations surveyed:
- Australia
- Brazil
- Hong Kong
- Mexico
- Singapore
- Switzerland
- United Kingdom
- United States

Companies participated: 236

The surveys cover Local Plus policies and practices for:

- One-way international transfers
- Locally hired foreigners
- Localized expatriates
- Internationally hired foreigners
- International assignees of a limited long-term duration

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Section 1

Local Plus, a growing trend: Definition and market evidence

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A Local Plus remuneration or compensation approach is defined as an approach whereby:

- Companies pay their foreign employees according to the local salary structure...

- ...Plus additional compensation elements (such as transportation, housing, dependents’ education, etc.) not typically provided to local nationals because of the expatriate's home-country ties, unique status, and other factors

- Relocation and/or immigration assistance provided on top of the local salary are considered as “Plus”
Local Plus
How companies are paying their international assignees

- Most common way today: **Balance Sheet approach = home salary + allowances**
  (employees on *limited-duration* international assignments are paid using the home-based approach, enabling similar standard of at host location)

- Rapidly growing trend: **Local Plus approach = local salary + benefits not provided to local national employees**

Q: Are you using Local Plus as an alternative to traditional expatriate packages?

- **35%**
- **19%**
- **16%**
- **14%**
- **7%**
- **9%**

Local Plus
How will your company’s Local Plus population change in the next two years?

For the same period, ~40% of companies predict an increase in the number of international employees **not** on a local plus approach

Local Plus
Popular Local Plus host locations

USA 39%
UK 26%
Switzerland 10%
China 38%
Hong Kong 18%
AUAE 18%
Singapore 32%
Brazil 5%
Australia 12%

Who is on Local Plus?
Asia-Pacific example

Source: Mercer 2014 Local Plus Surveys
Rise of Local Plus
Contributing factor: Increase in local salaries

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>205,020</td>
<td>185,511</td>
</tr>
<tr>
<td>Germany</td>
<td>130,387</td>
<td>129,119</td>
</tr>
<tr>
<td>USA</td>
<td>102,971</td>
<td>127,905</td>
</tr>
<tr>
<td>China (Shanghai)</td>
<td>84,977</td>
<td>112,458</td>
</tr>
<tr>
<td>France</td>
<td>96,387</td>
<td>111,535</td>
</tr>
<tr>
<td>UK</td>
<td>103,184</td>
<td>111,128</td>
</tr>
<tr>
<td>Brazil</td>
<td>91,305</td>
<td>106,015</td>
</tr>
<tr>
<td>Russia (Moscow)</td>
<td>67,623</td>
<td>91,104</td>
</tr>
<tr>
<td>South Africa</td>
<td>42,996</td>
<td>86,428</td>
</tr>
<tr>
<td>Poland (Warsaw)</td>
<td>79,514</td>
<td>83,731</td>
</tr>
<tr>
<td>India</td>
<td>31,177</td>
<td>41,805</td>
</tr>
</tbody>
</table>

Source: Mercer Total Remuneration Surveys
Rise of Local Plus
Contributing factor: Increase in local salaries

Source: Mercer Total Remuneration Surveys
Section 2

Local Plus package components overview

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Local Plus Package Components: The base salary
How to determine it?

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Local Plus Package Components
What “plus” elements do companies provide to Local Plus assignees?

<table>
<thead>
<tr>
<th>Components</th>
<th>Worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax preparation/filing assistance</td>
<td>72%</td>
</tr>
<tr>
<td>Host housing</td>
<td>71%</td>
</tr>
<tr>
<td>Relocation services</td>
<td>65%</td>
</tr>
<tr>
<td>Medical benefit</td>
<td>59%</td>
</tr>
<tr>
<td>Dependent education</td>
<td>59%</td>
</tr>
<tr>
<td>Home leave</td>
<td>55%</td>
</tr>
</tbody>
</table>

## Local Plus Package Components
### Prevalence provision of ‘plus’ elements: HK & Singapore examples

<table>
<thead>
<tr>
<th>Plus Elements</th>
<th>Hong Kong</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical benefit</td>
<td></td>
<td></td>
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<tr>
<td>Pension Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COLA/Goods and Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobility premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardship premium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immigration assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax and social security assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home leave support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relocation assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-inclusive allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Language training</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Common**
- **Less common / limited**
- **Never or rarely provided**

*Source: Mercer 2014 Local Plus Surveys*
Section 3

Building a Local Plus package: Focus on Singapore
## Compensation Approach

How do you establish the base salary for a foreigner on a Local Plus approach in Singapore?

<table>
<thead>
<tr>
<th></th>
<th>One-way International Transfer</th>
<th>Internationally hired foreigners</th>
<th>Locally hired foreigners</th>
<th>Localized expatriates</th>
<th>International assignee of a limited long-term duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on local pay structure without adjustment</td>
<td>N=35</td>
<td>N=37</td>
<td>N=23</td>
<td>N=32</td>
<td>N=24</td>
</tr>
<tr>
<td>Based on local pay structure with adjustments</td>
<td>51%</td>
<td>31%</td>
<td>57%</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>Home salary converted in host currency</td>
<td>20%</td>
<td>30%</td>
<td>26%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Case by case</td>
<td>9%</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>It varies</td>
<td>20%</td>
<td>19%</td>
<td>13%</td>
<td>19%</td>
<td>37%</td>
</tr>
</tbody>
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Source: Mercer 2014 Local Plus Surveys
Compensation Approach

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<tr>
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<td></td>
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<tr>
<td>currency</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>20%</td>
<td>19%</td>
<td>13%</td>
<td>19%</td>
<td>37%</td>
</tr>
<tr>
<td>It varies</td>
<td>--</td>
<td>3%</td>
<td>--</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Based on a calculation to protect/equalize pay and employee's previous (i.e., home or hiring country) net pay

Based on a higher local compensation percentile than locals would get

Source: Mercer 2014 Local Plus Surveys
Prevalent “Plus” Elements
One-time and phased-out components

**Ongoing payments**
(with phase-out option)

- Housing
- Dependent education
- Transportation
- Medical benefit

**One-time payments**

- Relocation assistance
- Immigration assistance
- Tax and social security assistance
- One-time payments

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Housing Summary for Singapore

Do you include a housing benefit with Local Plus packages for foreign employees in Singapore? (N=56)

- No, housing benefit is not provided: 25%
  - Senior Executive (N=14): 21%
  - Management (N=14): 0%
  - Professionals (N=14): 12%
- Case by case: 25%
- It depends on position level: 25%
- It depends on assignment type: 29%
- Yes, same for all: 21%

79% Yes, to all
21% Case by case

57% Yes, to all
7% No
36% Case by case

27% Yes, to all
36% No
36% Case by case

Source: Mercer 2014 Local Plus Surveys
## Housing
### Prevalent practices - Singapore

<table>
<thead>
<tr>
<th>How is it different from full expats?</th>
<th>Phase-out schedule</th>
<th>Fixed schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Practices vary: Decrease of 10-70% of the housing budget vs full expatriate provision</td>
<td>• Typically 1-3 years reduction (based on percentage)</td>
<td><strong>Examples</strong> of fixed / defined period of time:</td>
</tr>
<tr>
<td>• May be ‘less expensive’ category of housing</td>
<td>• &amp; &amp;</td>
<td>• 2 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 3 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 5 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some can be subject to extension</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Subject to criticality of the role</td>
</tr>
</tbody>
</table>

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Do you include a dependent education benefit with Local Plus packages for foreign employees in Singapore? (N=56)

- No, we do not cover dependent education: 46%
- Case by case: 29%
- It depends on position level: 9%
- It depends on assignment type: 4%
- Yes, same for all: 13%

If yes, what levels of education are covered?

- Pre-school (approximately two years prior to kindergarten): 33%
- Pre-kindergarten (one year before kindergarten): 40%
- Kindergarten: 70%
- Primary: 83%
- Secondary: 97%
- Further education (university/college - usually after age 18): 7%

Source: Mercer 2014 Local Plus Surveys
### How is it different from full expats?

- Practices vary between matching full expatriate benefit and a decreased benefit.

### Phase-out schedule

- Typically over 1-3 years
- Reduction (based on percentage)
- Depends on the job level and criticality of skills
- Until assignment ends or child finish education
- Other options (refer to the report)
Transportation Summary for Singapore

Do you include transportation benefit with Local Plus packages for foreign employees in Singapore? (N=56)

- No, we do not provide transportation benefit: 50%
- Case by case: 11%
- It depends on position level: 34%
- It depends on assignment type: 4%
- Yes, same for all: 5%

What is your Local Plus transportation policy like? (N=26)

<table>
<thead>
<tr>
<th>The same as for pure local employees</th>
<th>The same as for foreigners on a full expatriate package</th>
<th>A unique policy specifically for employees on a Local Plus package</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>23%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Mercer 2014 Local Plus Surveys
Do you include any contribution toward a medical benefit with Local Plus packages for foreign employees in Singapore? (N=56)

- No, we do not provide medical benefit: 14%
- Case by case: 5%
- It depends on position level: 2%
- It depends on assignment type: 1%
- Yes, same for all: 70%

Source: Mercer 2014 Local Plus Surveys
One-time Payments
Tax and social security assistance: Summary for Singapore

- **Foreign employees are responsible for all home and host country taxes and social security** on all salary and benefits for the vast majority (81%) of respondents.

- **Two-thirds** of respondents indicated **differences between provisions to full expatriates and employees on Local Plus**.

  - **Examples of differences:**
    - The benefit is provided for different periods — only for 1st year on Local Plus.
    - Assistance only for senior-level employees on Local Plus vs all “full” expatriates.
    - Full expatriates are on a tax equalization policy, while foreigners on Local Plus only offered tax consultation and filing assistance.

- **1/2** of participating companies indicated **tax and social security assistance was provided one time only**.

*Source: Mercer 2014 Local Plus Surveys*
A large majority typically provide immigration assistance to all their foreign employees in Singapore without any distinction by assignment type, position level, home country, or any other criterion.

79% report that the most typical type of assistance is help with work permits for the employee and accompanying dependents.

14% reported providing assistance to the employee only.

There are a number of relocation support items that may be provided as part of the relocation assistance for employees on a Local Plus approach. The most commonly provided items include:

- A one-time relocation allowance (82%)
- Shipment of household goods (75%)
- Temporary housing (66%)

Generally the same as for full expatriates. However, the amount offered for the one-time relocation allowance is often lower in Local Plus packages.
Elements NOT provided in Local Plus packages for foreign employees
Summary for Singapore

- We do not provide COLA/goods and services: 89%
- We do not provide mobility premium: 85%
- We do not provide all-inclusive allowance: 82%
- We do not provide language training: 80%
- We do not provide home leave: 74%
- We do not provide pension plan contribution benefit: 73%

Source: Mercer 2014 Local Plus Surveys

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Section 4
Implementing Local Plus policies
Designing a Local Plus Policy
Considerations

- One global consistent policy
- Global principles and local flexibility
- Buy-out with temporary “plus”
- As local as possible - limited “local marks”
- Policy inclusions: Authorisation, cost analysis, compensation approach, benefits, visa/work permits, health insurance, tax, financial planning, etc.
- Need for a decision-tree for business leaders
- What other documentation is required?
Designing a Local Plus Policy
How far do you want to go?

Mix of approaches: Balance Sheet / Local Plus
Segmentation by type of assignment

Addressing specific issues;
Taking advantage of local circumstances

Local Plus: by exception only
Local Plus: on a case by case basis
Local Plus used for most assignees
Local Plus for specific categories
Local Plus only approach used

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Mobility and Survey Resources on iMercer.com

- Comprehensive mobility resources: [imercer.com/mobility](http://imercer.com/mobility)
- Mercer’s location-specific Local Plus Surveys: [imercer.com/localplus](http://imercer.com/localplus)
- Localized Compensation: [imercer.com/localize](http://imercer.com/localize)
- Mercer’s Total Remuneration Surveys: [imercer.com/trs](http://imercer.com/trs)
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