

MERCER WEBCAST  
**BUILDING LOCAL PLUS PACKAGES**

February 2015

**Mike Shore**  
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**Chris Wilson**  
Toronto

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# Today's Speakers



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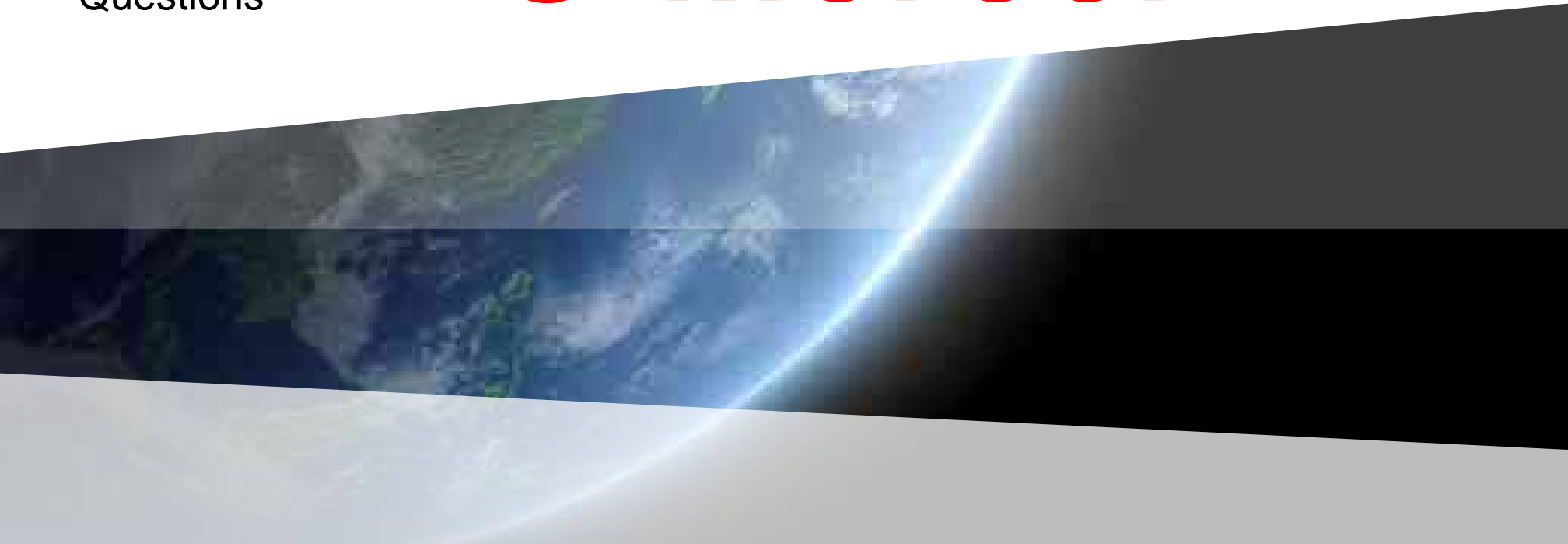
# Agenda

## 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:

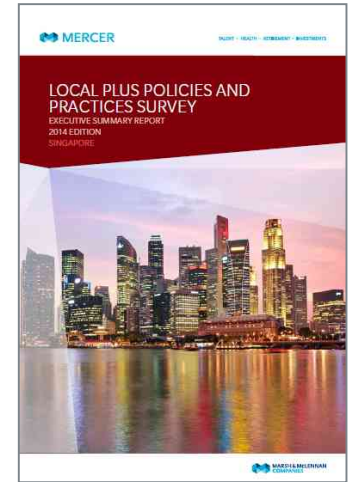
- Australia
- Brazil
- Hong Kong
- Mexico
- Singapore
- Switzerland
- United Kingdom
- United States



236

Companies participated

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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

Section 1

Local Plus, a growing trend: Definition and market evidence

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## Local Plus Definition

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

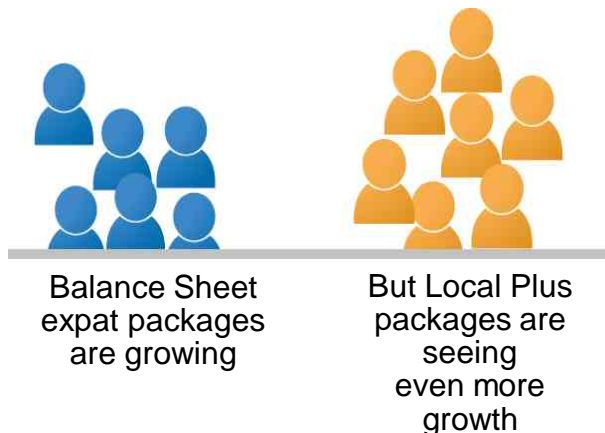
- Companies pay their foreign employees according to the local salary structure...
- ...Plus additional compensation elements (such as transportation, housing, dependents' education, etc.) not typically provided to local nationals because of the expatriates' home-country ties, unique status, and other factors
- Relocation and/or immigration assistance provided on top of the local salary are considered as "Plus"

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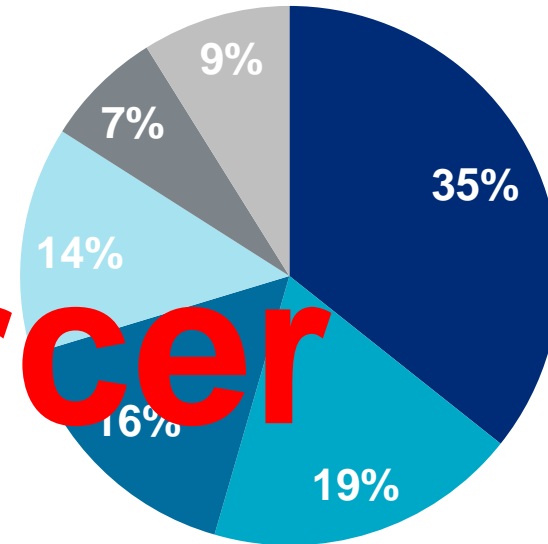
# Local Plus

## 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*



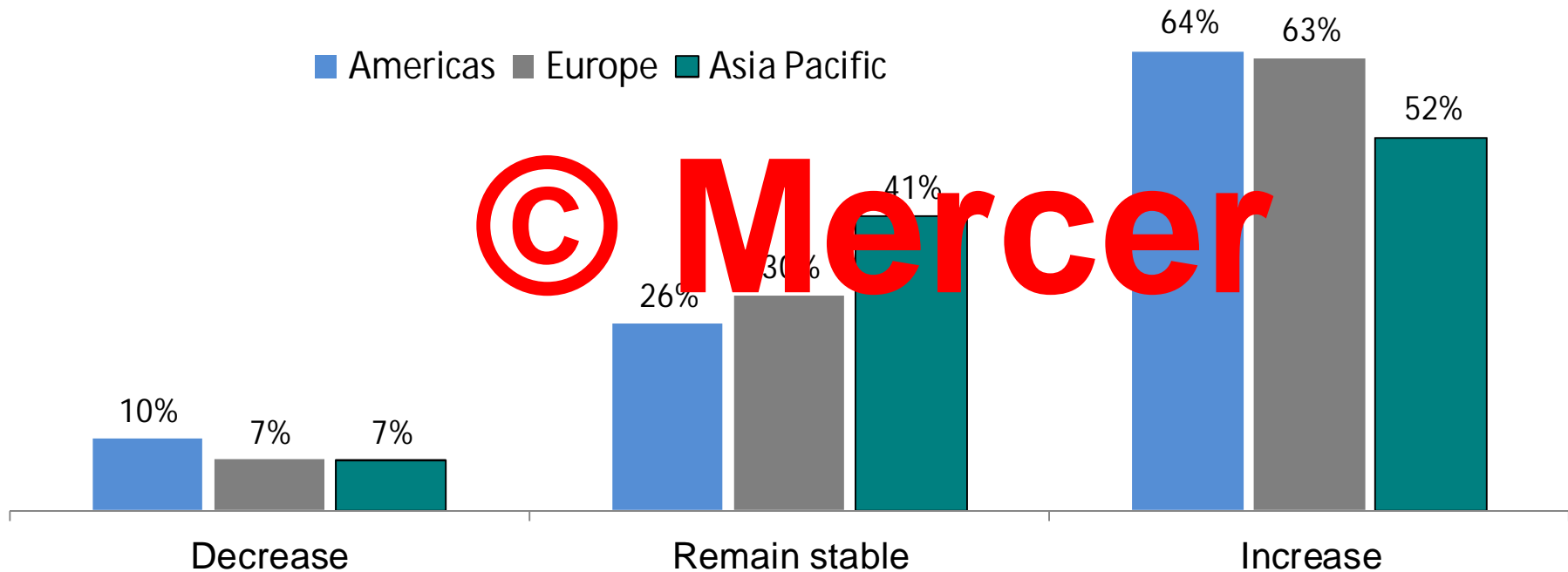
Q: Are you using Local Plus as an alternative to traditional expatriate packages?



- No
- Yes, a general trend for our int'l assignments
- Yes, for certain types of assignments (e.g., trainees, developmental)
- No, but we are seriously thinking about this option
- Yes, but only for intra-regional assignments
- Other

## Local Plus

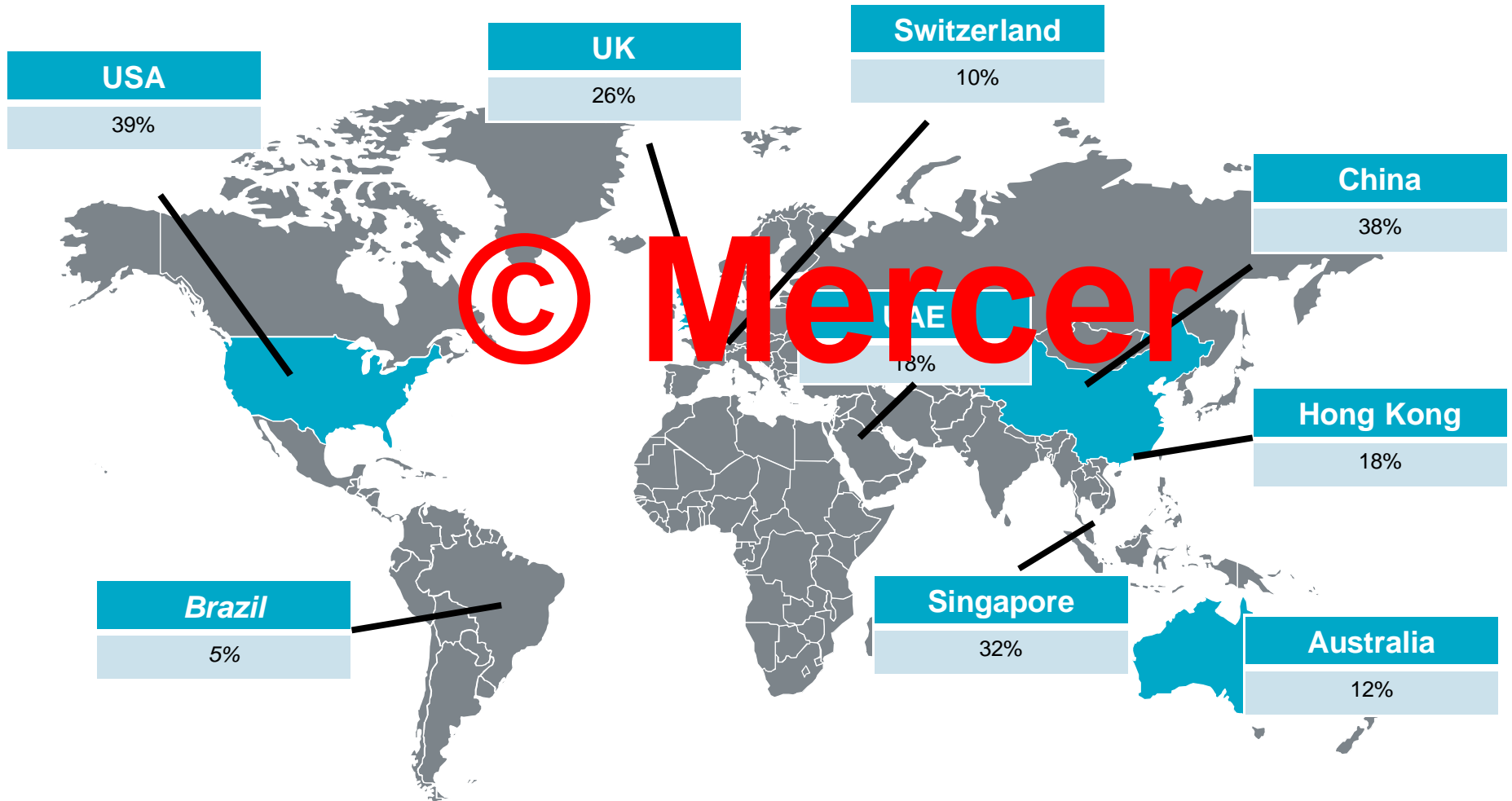
How will your company's Local Plus population change in the next two years?



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

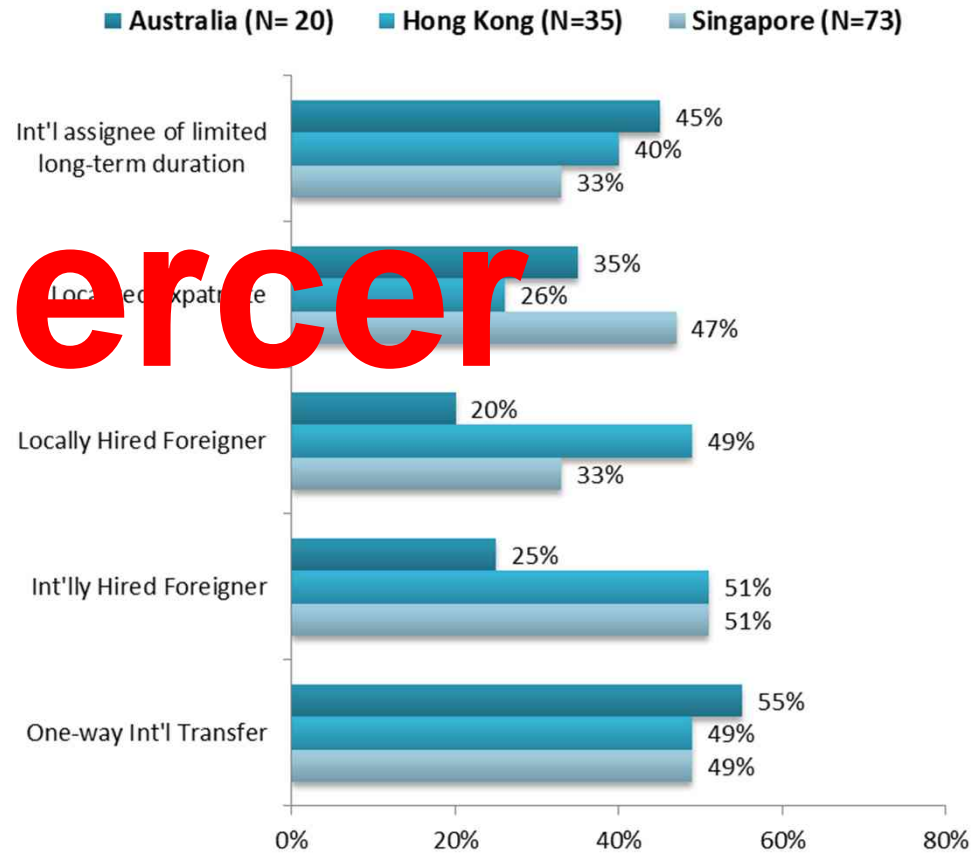


# Local Plus Popular Local Plus host locations



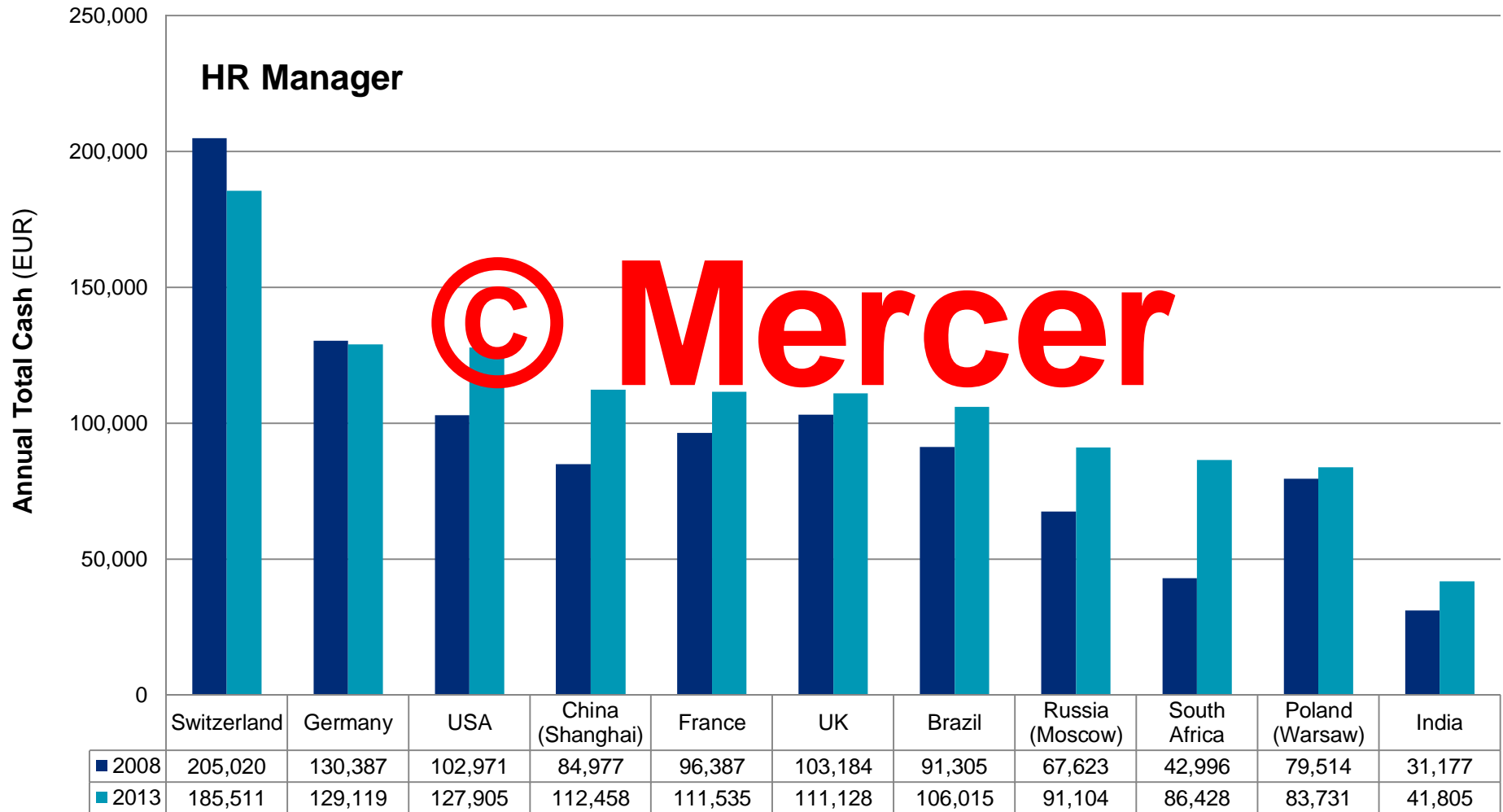
Source: Mercer 2013 Alternative International Assignments Policies and Practices Survey

# Who is on Local Plus? Asia-Pacific example



# Rise of Local Plus

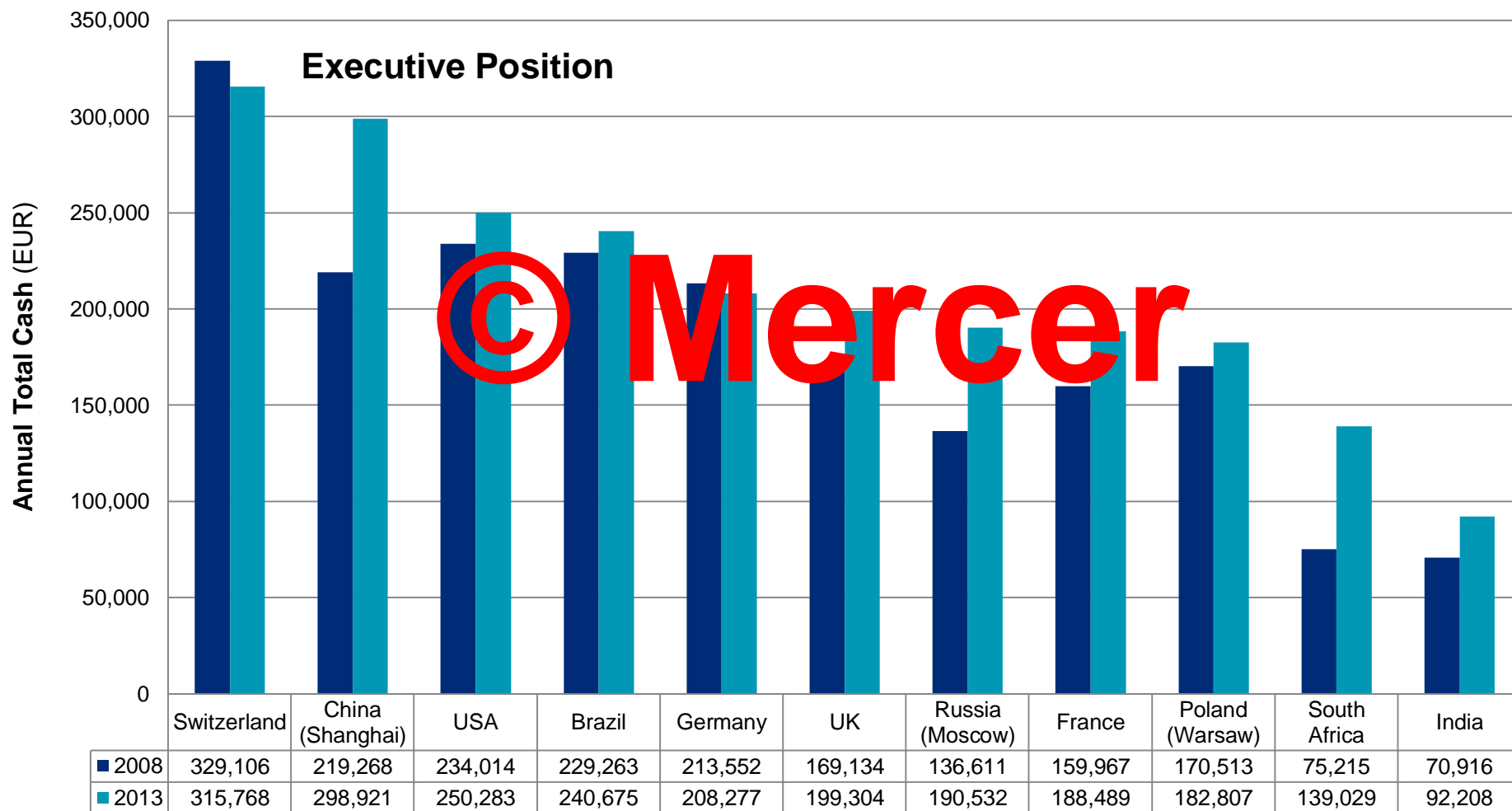
Contributing factor: Increase in local salaries



Source: Mercer Total Remuneration Surveys

# Rise of Local Plus

Contributing factor: Increase in local salaries



Source: Mercer Total Remuneration Surveys

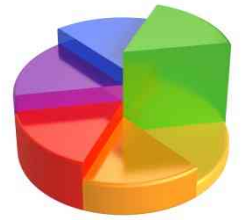
Section 2

# Local Plus package components overview

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# Local Plus Package Components: The base salary

## How to determine it?



Which type of local?

- Pure local
- Inflated local for foreigners
- Local for returnees

Net-to-net

- Tax difference
- Purchasing power difference
- Housing costs difference

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## Local Plus Package Components

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

<b>Components:</b>	<b>Worldwide</b>
Tax preparation/filing assistance	72%
Host housing	71%
Relocation services	65%
Medical benefit	59%
Dependent education	59%
Home leave	55%

# Local Plus Package Components

## Prevalence provision of 'plus' elements: HK & Singapore examples

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



Common



Less common / limited



Never or rarely provided

Source: Mercer 2014 Local Plus Surveys



## Section 3

# Building a Local Plus package: Focus on Singapore

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## Compensation Approach

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

	One-way International Transfer	Internationally hired foreigners	Locally hired foreigners	Localized expatriates	International assignee of a limited long-term duration
	N=35	N=37	N=23	N=32	N=24
Based on local pay structure without adjustment	51%	43%	57%	41%	21%
Based on local pay structure with adjustments	20%	30%	26%	25%	21%
Home salary converted in host currency	9%	5%	4%	9%	17%
Case by case	20%	19%	13%	19%	37%
It varies	--	3%	--	6%	4%

# Compensation Approach

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

	One-way International Transfer	Internationally hired foreigners	Locally hired foreigners	Localized expatriates	International assignee of a limited long-term duration
	N=35	N=37	N=23	N=32	N=24
Based on local pay structure without adjustment	70%	70%	70%	70%	21%
<b>Based on local pay structure with adjustments</b>	20%	30%	26%	25%	21%
Home salary converted in host currency	10%	10%	10%	10%	17%
Case by case	20%	19%	13%	19%	37%
It varies	--	3%	--	6%	4%

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

**Based on a higher local compensation percentile than locals would get**

**30%**

Source: Mercer 2014 Local Plus Surveys

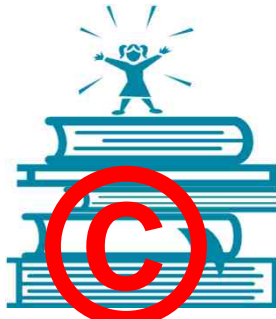
# Prevalent “Plus” Elements

## One-time and phased-out components

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



Housing



Dependent education

### One-time payments



Relocation assistance



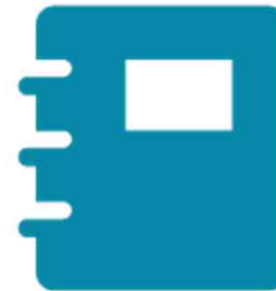
Immigration assistance



Transportation



Medical benefit



Tax and social security  
assistance

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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)



Source: Mercer 2014 Local Plus Surveys



Senior Executive (N=14)

**79%**  
Yes, to all

**21%**  
Case by case



Management (N=14)

**57%**  
Yes, to all

**7%**  
No  
**36%**  
Case by case



Professionals (N=14)


**27%**  
Yes, to all

**36%**  
No  
**36%**  
Case by case

# Housing

## Prevalent practices - Singapore



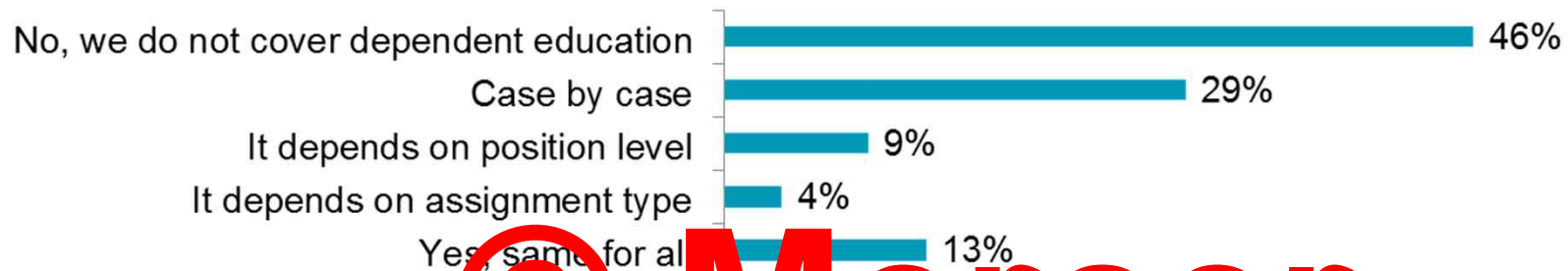
How is it different from full expats?	Phase-out schedule	Fixed schedule
<ul style="list-style-type: none"> <li>Practices vary: Decrease of 10-70% of the housing budget vs full expatriate provision</li> <li>May be 'less expensive' category of housing</li> </ul>	<ul style="list-style-type: none"> <li>Typically 1-3 years</li> <li>reduction (based on percentage)</li> <li>Teas</li> <li>Other options / refer to the report</li> </ul> 	<p><b>Examples</b> of fixed / defined period of time:</p> <ul style="list-style-type: none"> <li>2 years</li> <li>3 years</li> <li>5 years</li> </ul> <ul style="list-style-type: none"> <li>Some can be subject to extension</li> <li>Subject to criticality of the role</li> </ul>

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# Dependent Education Summary for Singapore



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



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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%

# Dependent Education

## Prevalent practices - Singapore



How is it different from full expats?	Phase-out schedule
<ul style="list-style-type: none"><li>Practices vary between matching full expatriate benefit and a decreased benefit</li></ul>	<ul style="list-style-type: none"><li>Typically over 1-3 years</li><li>Reduction (based on percentage)</li><li>Depends on the job level and criticality of skills</li><li>Until assignment end or child finish education</li><li>Other options (refer to the report)</li></ul> 

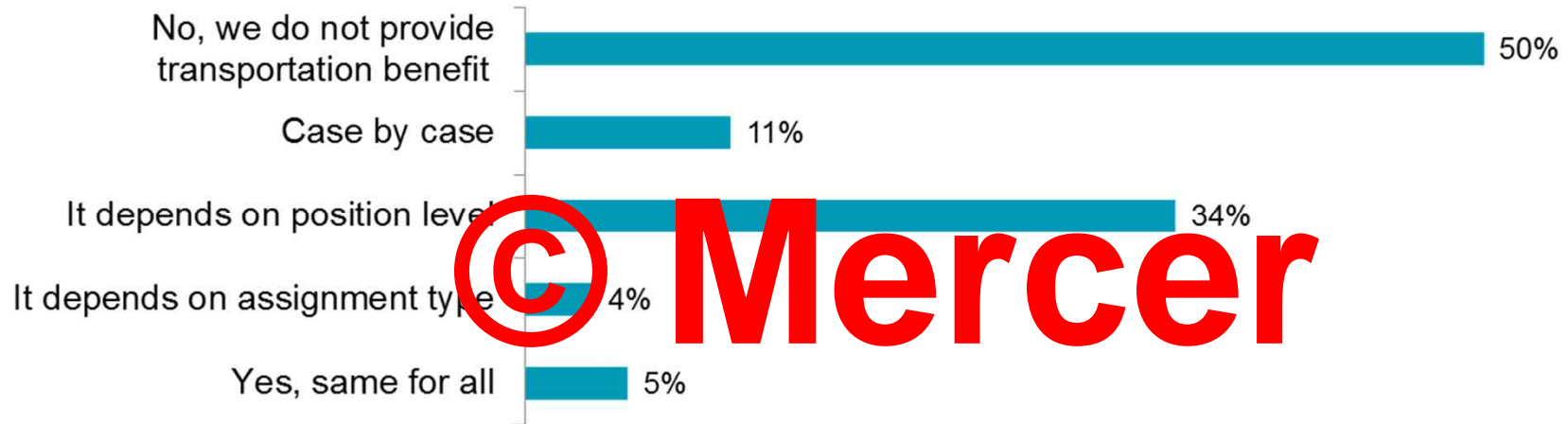
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# Transportation Summary for Singapore



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



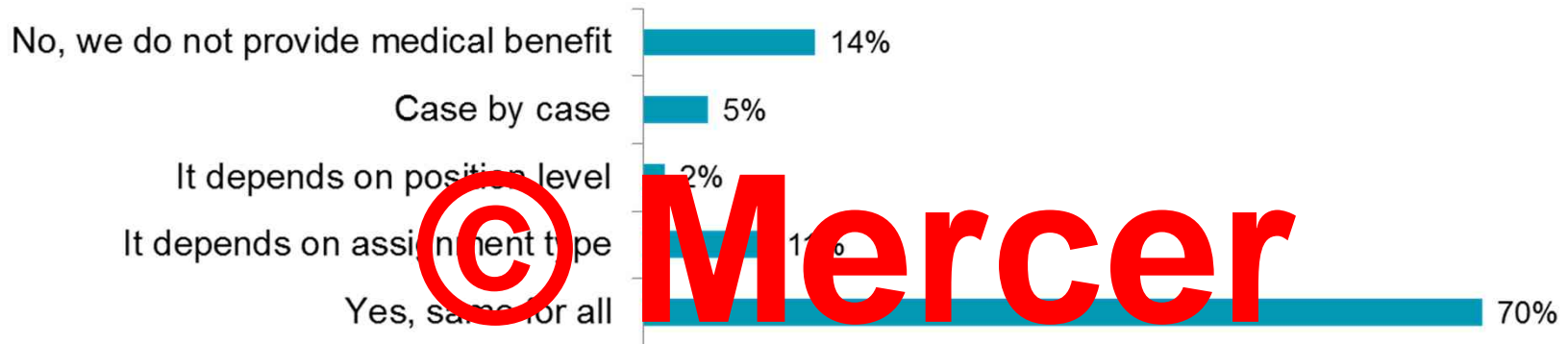
**What is your Local Plus transportation policy like? (N=26)**

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

# Medical Benefit Summary for Singapore

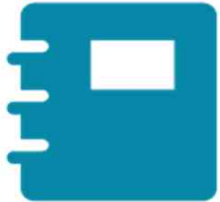


Do you include any contribution toward a medical benefit with Local Plus packages for foreign employees in Singapore? (N=56)



# 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 1<sup>st</sup> 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.**

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# One-time Payments

## Immigration and relocation assistance: Summary for Singapore



Immigration assistance

- 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.

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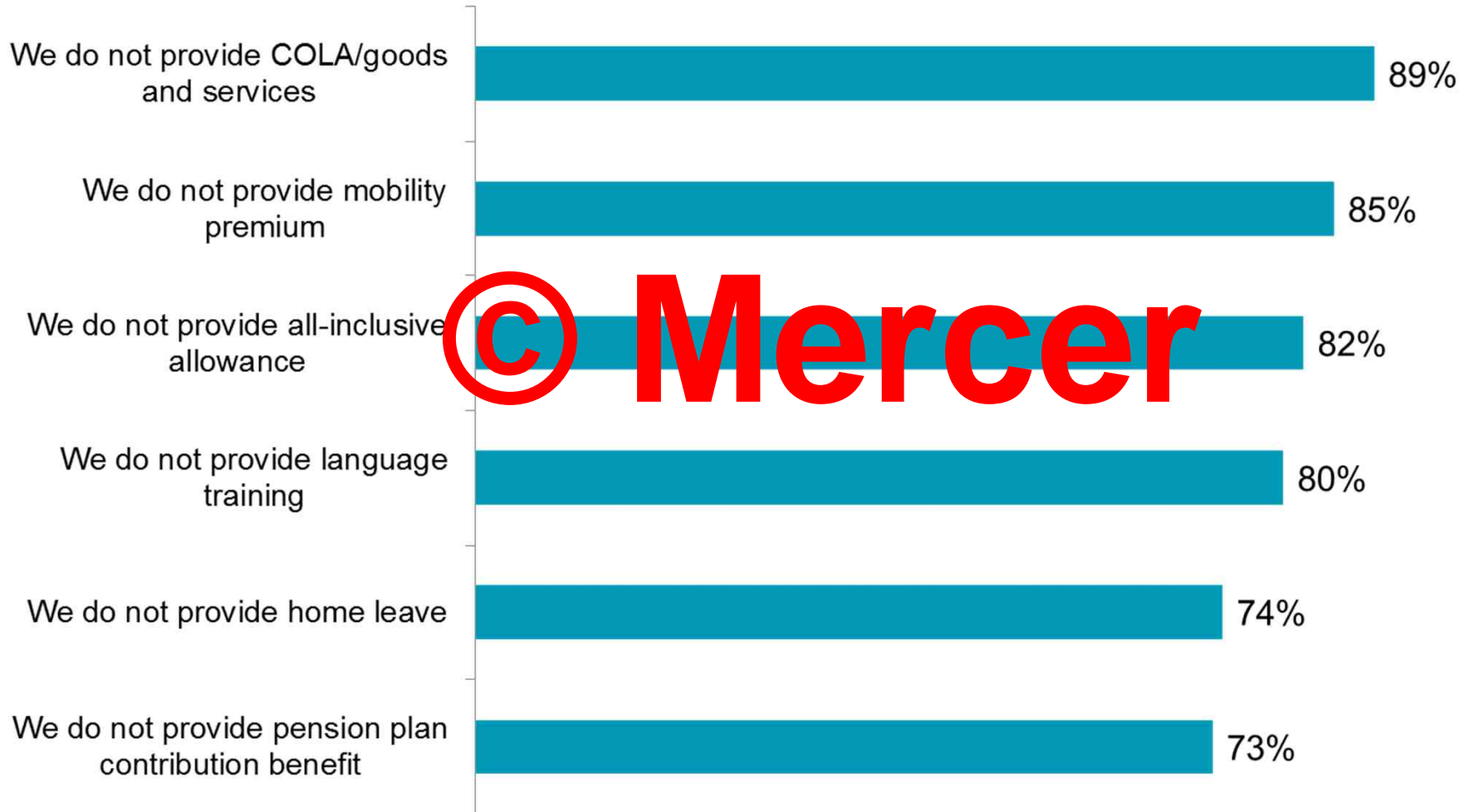


Relocation assistance

- 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



Source: Mercer 2014 Local Plus Surveys

Section 4

# Implementing Local Plus policies

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## 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 elements”
- 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?

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# 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

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Local Plus only approach used

Local Plus used for most assignees

Local Plus for specific categories

Local Plus: on a case by case basis

Local Plus: by exception only



# 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)
- Mercer's Alternative International Assignments Policies and Practices Survey: [imercer.com/aia](http://imercer.com/aia)
- Localized Compensation: [imercer.com/localize](http://imercer.com/localize)
- Mercer's Total Remuneration Surveys: [imercer.com/trs](http://imercer.com/trs)



**LOCALIZED COMPENSATION**

**Mercer knows how to pay mobile employees locally**

Are you considering transferring your expatriates to a local or Local Plus package? We can help determine whether localization will be effective and calculate the composition of the localization package. When it is time to make "feels like home" become "home," Mercer's resources will guide you and your expat through an easy and equitable transition.

Already have assignees on a host-based compensation package? Are you moving employees internationally on an indefinite one-way or intra-regional transfer? Hiring foreigners directly in the host location? Let us help you calculate the economic impact to them and your company in order to compensate these employees in a fair and cost-effective way.

**Compensation Localizer**

**Compensation Localizer**, a host-based package calculator, streamlines how you establish pay for your international employees when placing them on a local compensation program. Use it for Local Plus packages, localization, one-way indefinite international transfers, or locally or directly hired foreigners. [Start using Compensation Localizer.](#)

**2014 Local Plus Surveys: Participate Today**

Mercer's **Local Plus Surveys** cover the elements of this type of compensation package and differences in the application of Local Plus policies for permanent/one-way transfers, locally or internationally hired foreigners, localized expatriates, or international assignments of a limited but pre-determined duration.

# Questions



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## QUESTIONS

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We will answer as many questions as we have time for.

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To submit a question while in half-screen mode, use the Q&A  
panel on the bottom right-hand side of your screen.



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