

INTERNATIONAL MOBILITY GROUP
SARA - IMG

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SPOT POLL 1 – ASSIGNMENT FAILURE

- Which of the following factors is the most common cause of “assignment failure” for international assignments into Africa?
 - A: Spouse’s or partner’s unhappiness
 - B: Assignee’s unhappiness with the remuneration package
 - C: Difficulty in adjusting to the host country
 - D: Assignee offered a better job by another company

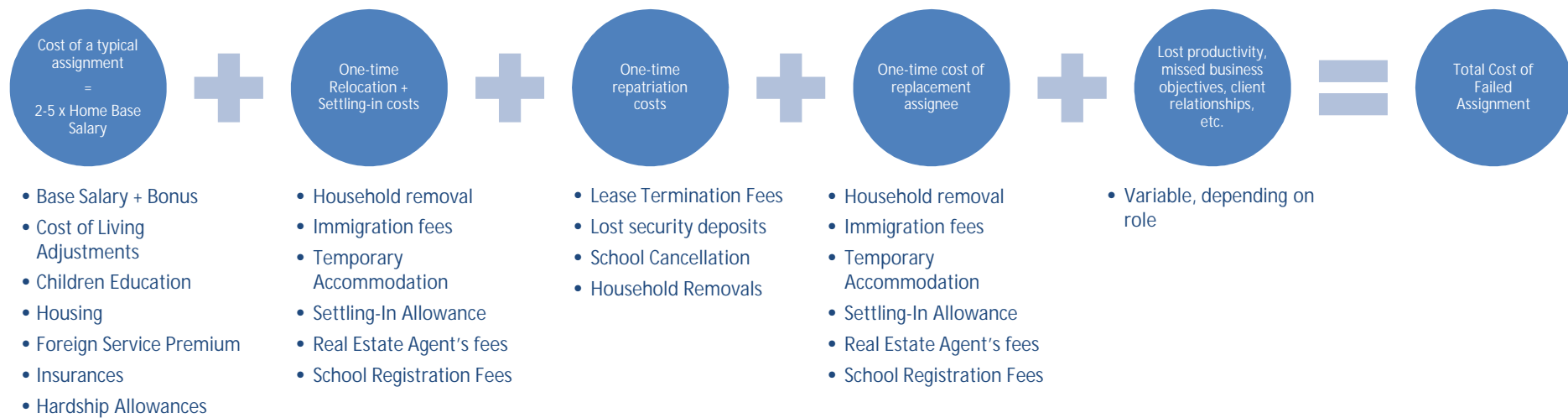
SPOT POLL 1 - ANSWERS

- Which of the following factors is the most common cause of “assignment failure” for international assignments into Africa?
 - A: Spouse’s or partner’s unhappiness (46%)
 - B: Assignee’s unhappiness with the remuneration package (22%)
 - **C: Difficulty in adjusting to the host country (64%)**
 - D: Assignee offered a better job by another company (26%)

N = 72

Source: Africa Assignment Policies and Practices survey 2017



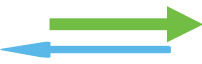





WHAT IS THE COST OF A FAILED ASSIGNMENT?



Example: Assignee's Base salary = USD 100,000 p.a. prematurely repatriating after 6 months:

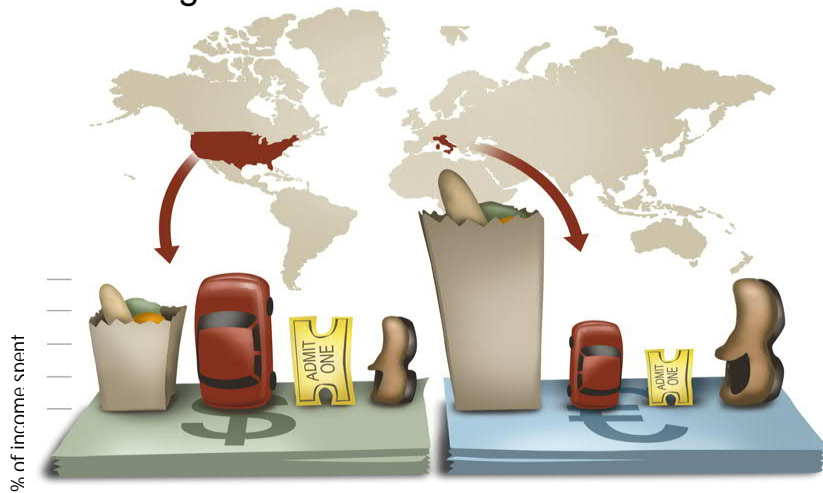
- Total Assignment Cost = USD 200K – 500K per annum: Cost for 6 months = USD 100K – 250K
- Relocation + Settling-in = USD 20K – 30K
- Repatriation Costs = USD 15K – 20K
- New Assignee Deployment:
 - Assignment Cost = USD 200K – 500K
 - Relocation + Settling-in = USD 20K – 30K

MOBILITY CATEGORIES

<i>Pattern</i>	<i>Categories</i>	<i>Duration</i>
There and back (very quick)	 Business trip	Up to 1 month
There and back (quick)	 Short-Term Assignment	1 to 6 months
There and back	 Long-Term Assignment	6 months to 3-5 years
Moving there	 Permanent Transfer	Permanent
Already there	 Locally Hired Foreigner	Permanent
From there	 Returnee	Permanent
Back and forth	 Commuter or rotational assignment	Commuting on weekly or monthly basis
Staying there	 Localisation	After extended period in host country

WHICH COMPENSATION APPROACH SUITS YOUR COMPANY BEST ?

spending **DEPEND** on their country of origin?



YES

Home Nationality to Host Approach

... or spend **SIMILARLY** regardless of where they come from.

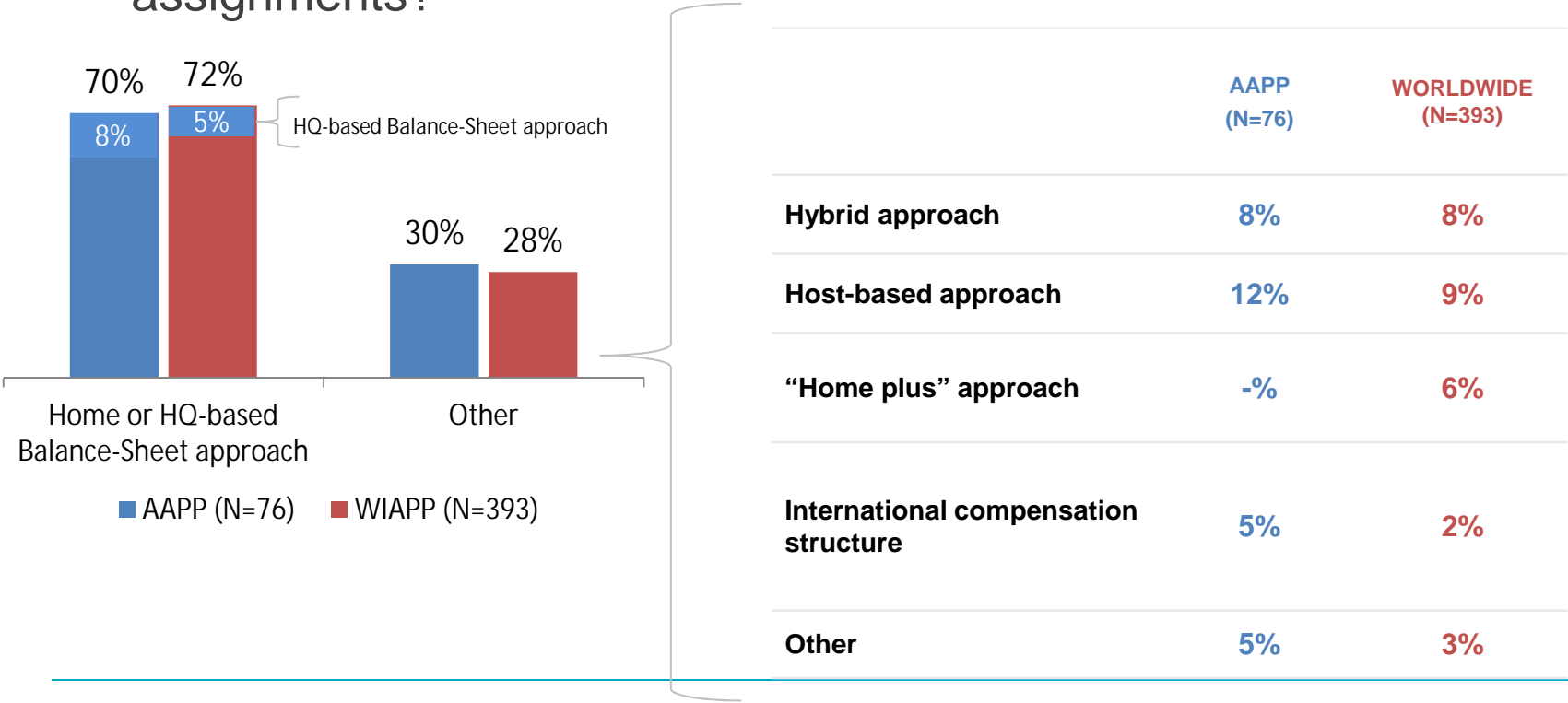


YES

Multi National Approach

REMUNERATION APPROACH

- Which REMUNERATION approach do you typically use for long-term assignments?



THE BALANCE SHEET APPROACH - GUIDING PRINCIPLES




- The assignee is neither better off nor worse off whilst on assignment
- Purchasing power Equalisation
 - Guarantees equal home and host purchasing power
- Tax and Social Security Equalisation
 - The employee contributes only as much tax as would in the home country, whilst on assignment
- Currency protection
 - Savings/reserve are protected against currency fluctuations



BALANCE SHEET CALCULATION (AKA HOME – HOST APPROACH)

- Mostly developing economies
- Defensible option
- Allows for frequent reviews
- More abundant assignment benefits
- Aim to protect assignee disposable income (home versus host)
- Focus = Ease back into Home Country Labour market !
- Net Calculation

BALANCE SHEET STRUCTURE

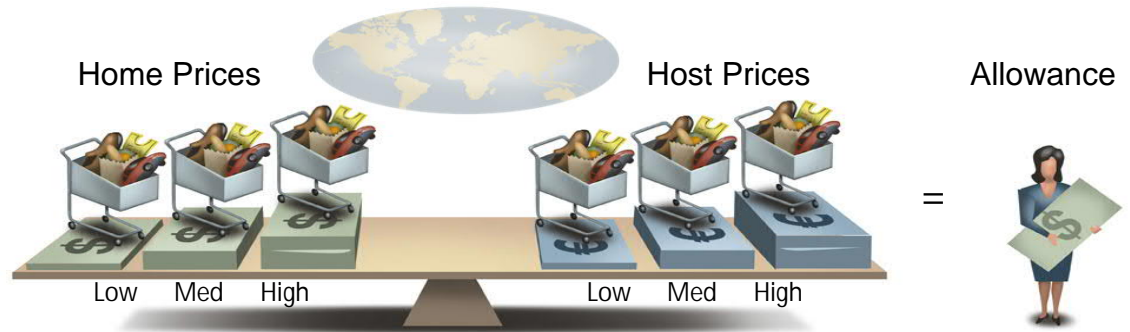
Policy Component	Description	Examples
1. Core Remuneration and Benefits	The underlying remuneration and benefits that applies during the assignment.	<ul style="list-style-type: none"> • Base / home company salary • Performance Bonus and other incentive compensation • Retirement / Pension contributions • Social Security @ Home
	2. Incentives	Benefits provided when necessary to incentivise employees to take the international assignment <ul style="list-style-type: none"> • Assignment / Foreign Service / Mobility Allowance • Location / Hardship/ Quality of Living Allowance • Remote site/Isolation Allowance • Completion / repatriation bonus
	3. Equalisers	Policy components designed to make sure that the employee is no better and no worse off than if they had not taken the assignment <ul style="list-style-type: none"> • Cost of Living Adjustment • Home Country Savings • Income taxes • Social Security @ Host • Compliance Services
	4. Enablers	Services and benefits provided to help the employee relocate and focus on their role <ul style="list-style-type: none"> • Accommodation & Transportation • Shipment of household goods • R & R – rest and relaxation leave • Language/cultural training • Medical benefits • Security/Safety

MULTINATIONAL APPROACH

Three index options

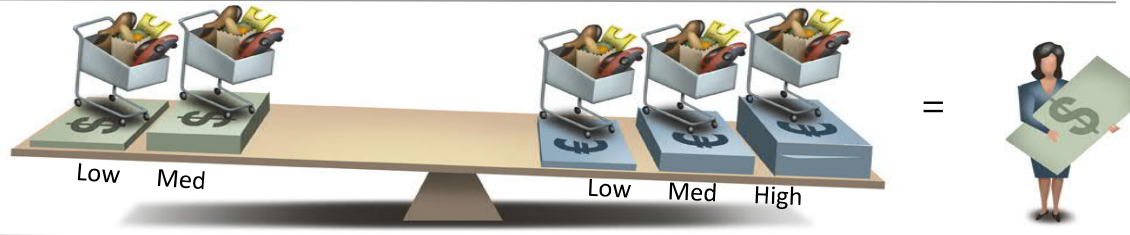
Mean to Mean

Compares average of prices at home to average at host for common items at comparable retail outlets. The best indicator of absolute price differences between locations without consideration of assignee efficiency or availability of goods in location.



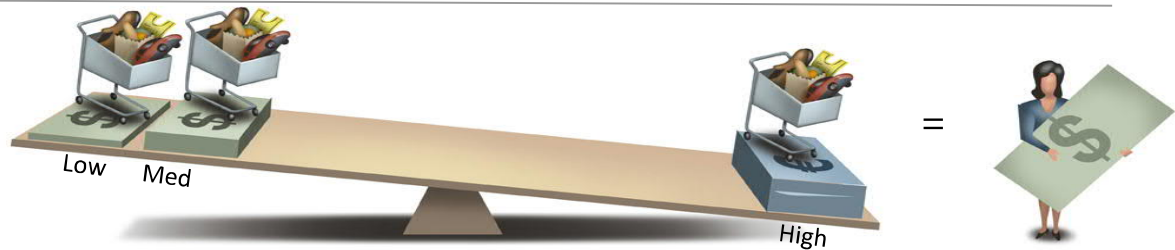
Efficient

Assumes assignee has a wide variety of outlets and retail prices in the assignment location to choose from, but due to short term nature of assignment may not have same efficiency in purchasing as in home location.



Convenience

Based on more expensive or convenience stores in the host location. Applicable for locations where shopping convenience is essential, or locations that lack a wide variety of alternative retail outlets.



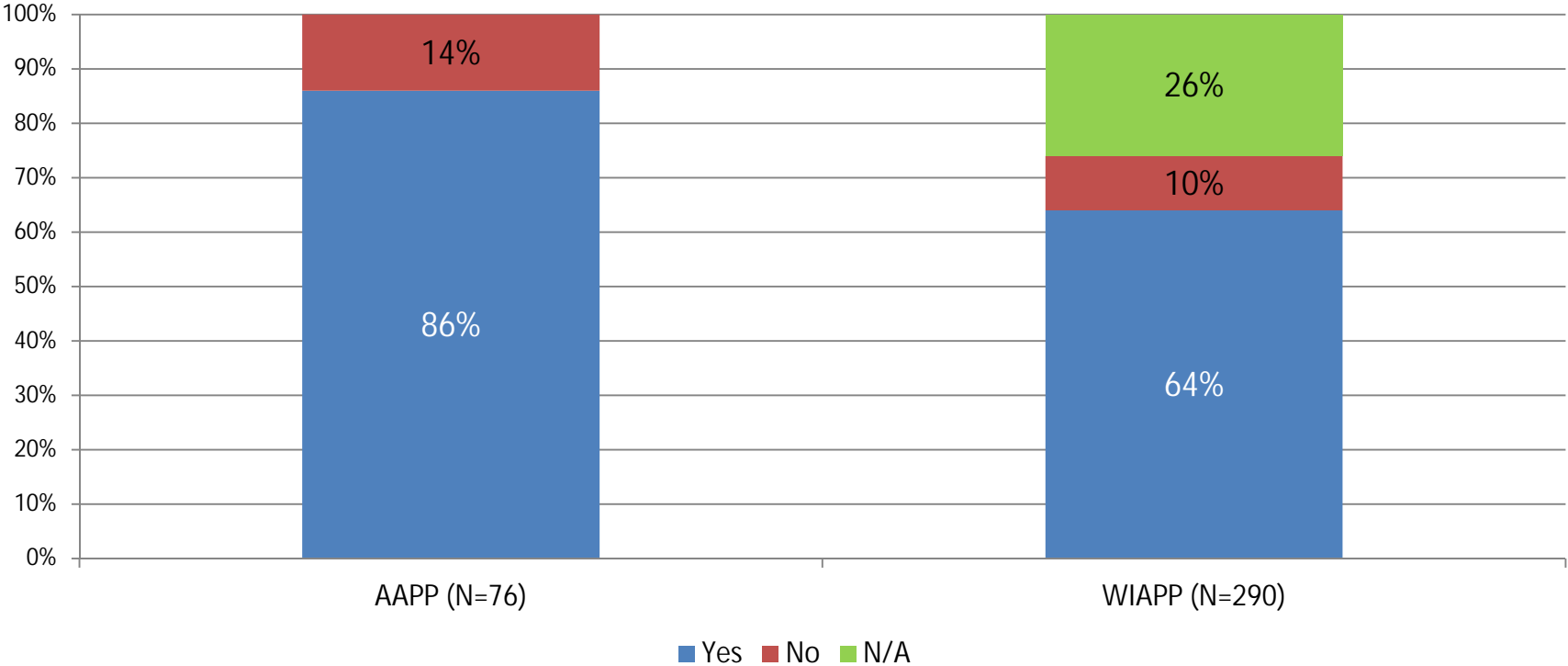
2. LOCATION / HARDSHIP / QUALITY OF LIVING ALLOWANCE

- To reward assignee for the relative differences in quality / standard of living between home and host countries.
 - Independent Service Provider
 - City Specific
 - Can be enhanced for remote locations
 - % Allowance of Salaries







- Home / Host philosophy vs Host Only philosophy

LOCATION / HARDSHIP / QUALITY OF LIVING ALLOWANCE

- DO YOU PROVIDE A HARDSHIP PREMIUM WHEN APPLICABLE?



QUALITY OF LIVING

	Political and Social Environment <ul style="list-style-type: none"> • Relationship with Other Countries • Internal Stability • Crime 	<ul style="list-style-type: none"> • Law Enforcement • Ease of Entry and Exit
	Economic Environment <ul style="list-style-type: none"> • Currency Exchange Regulations • Banking Services 	
	Socio-Cultural Environment <ul style="list-style-type: none"> • Limitations on Personal Freedom • Media and Censorship 	
	Medical and Health Considerations <ul style="list-style-type: none"> • Hospital Services • Medical Supplies • Infectious Diseases 	<ul style="list-style-type: none"> • Water Potability • Waste Removal • Sewage • Air Pollution • Troublesome and Destructive Animals
	Schools and Education <ul style="list-style-type: none"> • Schools 	
	Public Services and Transport <ul style="list-style-type: none"> • Electricity • Water Availability • Telephone 	<ul style="list-style-type: none"> • Mail • Public Transport • Traffic Congestion • Airport
	Recreation <ul style="list-style-type: none"> • Variety of Restaurants • Theatrical and Musical Performances • Cinemas 	<ul style="list-style-type: none"> • Sport and Leisure Activities
	Consumer Goods <ul style="list-style-type: none"> • Food (Meat and Fish) • Food (Fruit and Vegetables) • Daily Consumption Items 	<ul style="list-style-type: none"> • Alcoholic Beverages • Automobiles
	Housing <ul style="list-style-type: none"> • Housing • Household Appliances and Furniture • Household Maintenance and Repair 	
	Natural Environment <ul style="list-style-type: none"> • Climate • Record of Natural Disasters 	

**Quality of Living Index Result
International Basket
September 2015 Survey**

*	Index Categories	Base City DURBAN (ZA)	Host City LUSAKA (ZM)
✓	Political and social environment	100	109
✓	Economic environment	100	90
✓	Socio-cultural environment	100	67
✓	Medical and health considerations	100	64
✓	Schools and education	100	100
✓	Public services and transport	100	74
✓	Recreation	100	47
✓	Consumer goods	100	70
✓	Housing	100	51
✓	Natural environment	100	88
	TOTAL INDEX	100	76

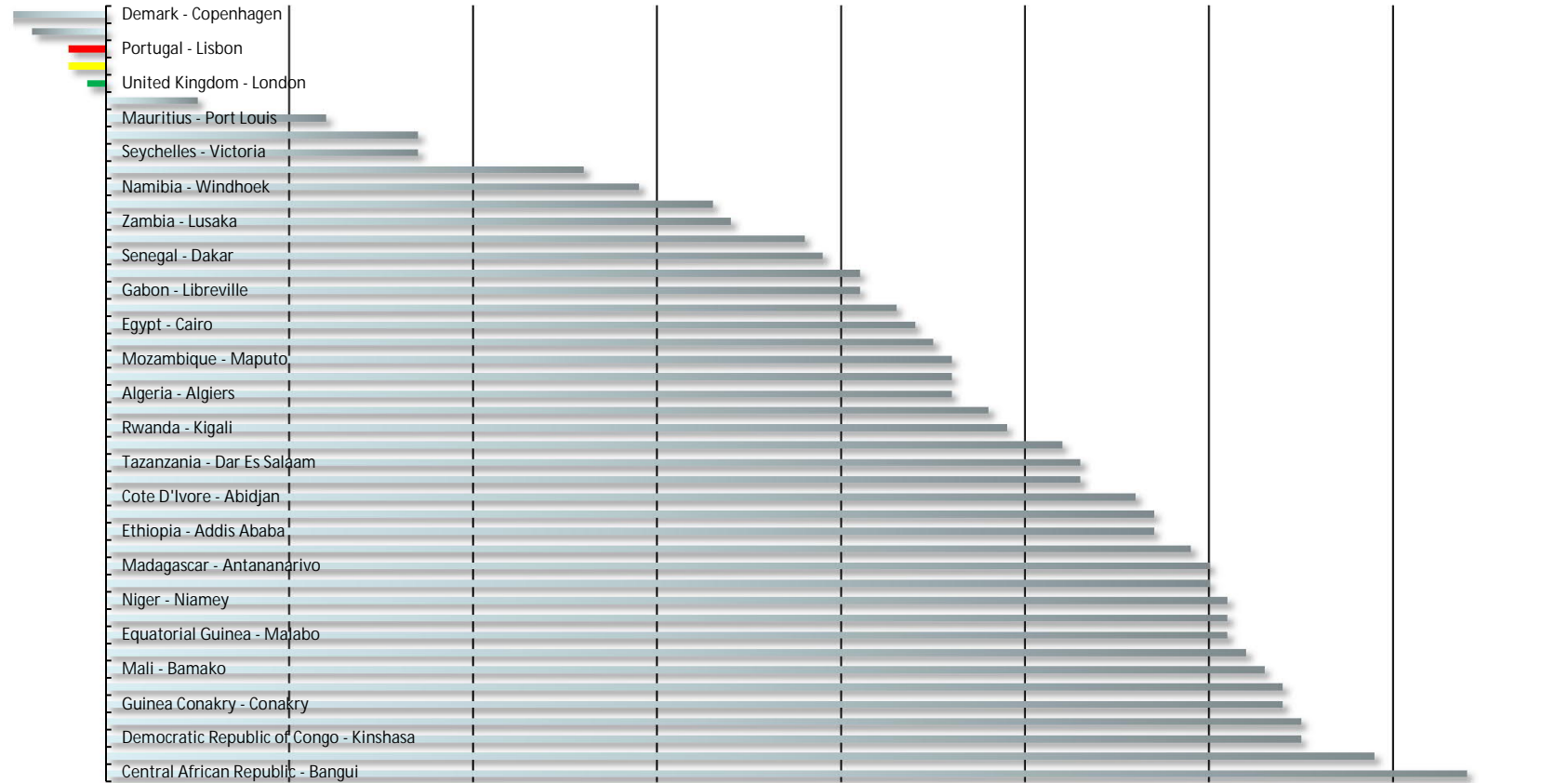
Quality of Living Allowance is **15.00 %** of the annual salary.

Quality of Living Index Result International Basket September 2015 Survey

*	Index Categories	Base City LUSAKA (ZM)	Host City DURBAN (ZA)
✓	Political and social environment	100	92
✓	Economic environment	100	111
✓	Socio-cultural environment	100	150
✓	Medical and health considerations	100	157
✓	Schools and education	100	100
✓	Public services and transport	100	135
✓	Recreation	100	213
✓	Consumer goods	100	143
✓	Housing	100	195
✓	Natural environment	100	113
	TOTAL INDEX	100	132

Quality of Living Allowance is **0.00 %** of the annual salary.

QUALITY OF LIVING – SEPT. 2017 vs NEW YORK



3. COST OF LIVING ADJUSTMENT / ALLOWANCE

- To protect assignee's purchasing power / enable assignee to maintain similar standard of living in host country
- Cater for currency exchange rate differences between home and host country
- City Specific
- Subject to extent of benefits provided by company in Host Country
- Applied to indexable / spendable portion of home net disposable remuneration.

Cost of Living Index Result

September 2015 Survey

Basket Mercer International Basket	Base City DURBAN (ZA)	Host City LUSAKA (ZM)
Date of Price Survey	01/09/2015	01/09/2015
Date of Exchange Rate	01/09/2015	01/09/2015
Exchange Rate	USD 1 = ZAR 12.870215	USD 1 = ZMW 8.012580
Cross Rate	ZAR 1 = ZMW 0.622568	ZMW 1 = ZAR 1.606251
Previous 6 months inflation	2.75%	12.00%
Previous 12 months inflation	7.63%	13.40%

*	Index Categories	Base City	M / M	Host City	
				Efficient	Convenience
✓	1) Food at Home	100	107	116	138
✓	2) Alcohol and Tobacco	100	138	142	165
✓	3) Domestic Supplies	100	138	148	159
✓	4) Personal Care	100	127	135	165
✓	5) Clothing and Footwear	100	100	121	121
✓	6) Home Services	100	55	60	65
✓	7) Utilities	100	150	157	185
✓	8) Food away from home	100	145	153	181
✓	9) Transportation	100	141	149	154
✓	10) Sports and Leisure	100	151	167	179
	Total Index	100	127	138	153
	A) Excluding Utilities	100	125	136	150
	B) Excluding Transportation	100	124	135	152
	C) Excluding both above	100	121	133	149

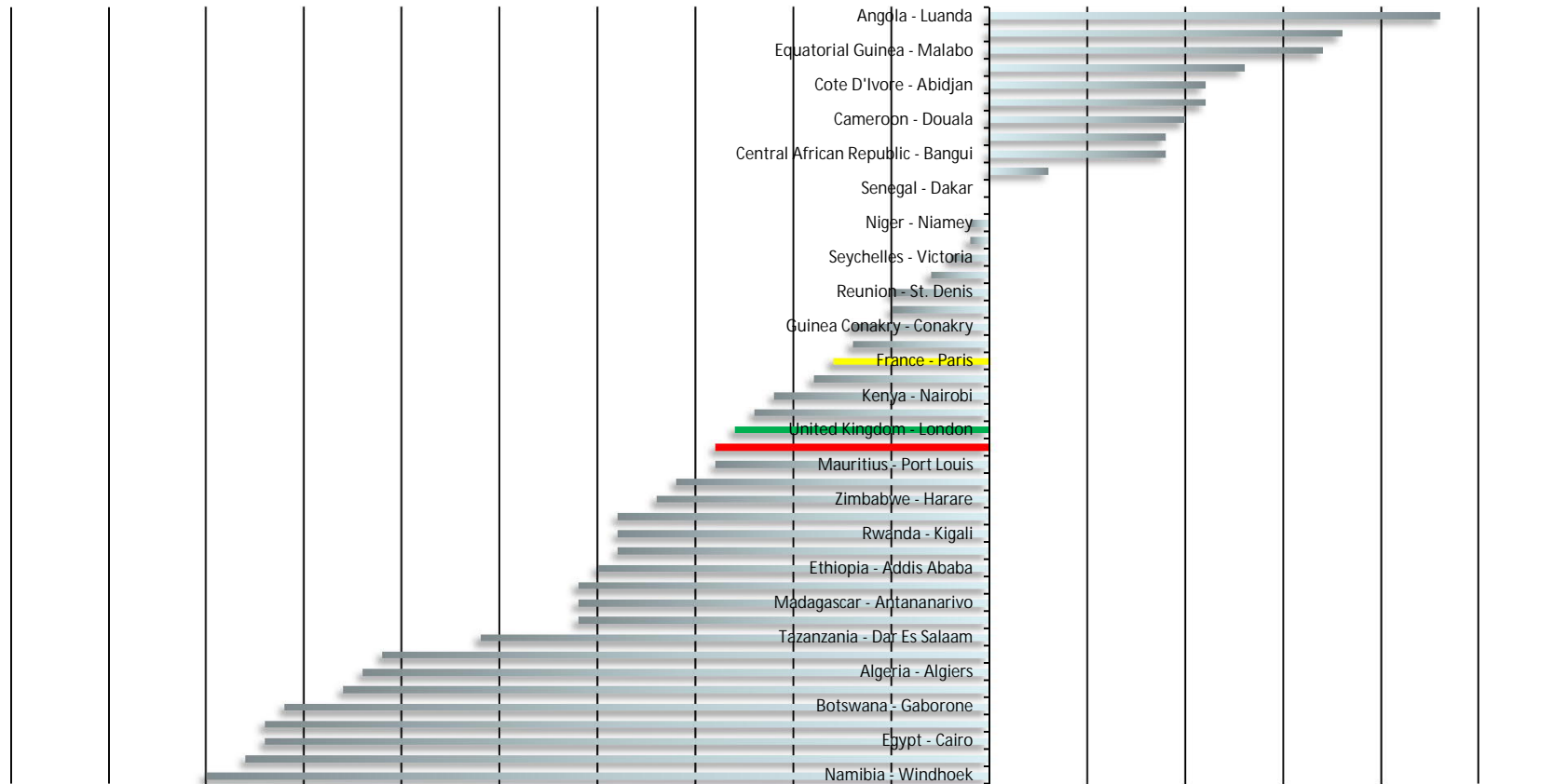
Cost of Living Index Result

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Cross Rate	ZMW 1 = ZAR 1.606251	ZAR 1 = ZMW 0.622568
Previous 6 months inflation	12.00%	2.75%
Previous 12 months inflation	13.40%	7.63%

* Index Categories	Base City	M / M	Host City Efficient	Convenience
✓ 1) Food at Home	100	93	102	119
✓ 2) Alcohol and Tobacco	100	73	79	86
✓ 3) Domestic Supplies	100	72	80	84
✓ 4) Personal Care	100	77	86	93
✓ 5) Clothing and Footwear	100	0	0	0
✓ 6) Home Services	100	203	213	257
✓ 7) Utilities	100	67	74	82
✓ 8) Food away from home	100	69	76	86
✓ 9) Transportation	100	70	76	80
✓ 10) Sports and Leisure	100	63	70	74
 Total Index	 100	 75	 83	 91
A) Excluding Utilities	100	77	84	92
B) Excluding Transportation	100	77	85	94
C) Excluding both above	100	79	87	96

COST OF LIVING – SEPT. 2017 vs NEW YORK



4. HOME COUNTRY COMMITMENTS/SAVINGS

- Balance of home net pay which is NOT indexed
- Returned to assignee via salary build-up calculation

SUM TOTAL OF SALARY BUILD-UP

- Assignment / Foreign Service / Mobility Allowance
 - Location / Hardship / Quality of Living Allowance
 - Cost of Living Adjustment
 - Home Country Commitments (Savings)
-
- $1 + 2 + 3 + 4 =$ Net disposable assignee pay

SPOT POLL 2 – COST OF LIVING DIFFERENCES

The Cost of Loving: In which country is most expensive to go on a date and buy:

- **A 3-course meal for two in an elegant restaurant**
- **Two cinema tickets**
- **A box of chocolates**

- A: London
- B: Shanghai
- C: New York
- D: Tokyo

COST OF LIVING DIFFERENCES





MERCER

MAKE TOMORROW, TODAY