

Results of 2nd PwC Australia Survey of Local Plus Policies and Practice | August 2015

How have Local Plus policies shifted, and what trends have emerged that organisations should consider for the future?

Local Plus survey Summary Report



Introduction



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Global mobility strategies are constantly changing as organisations continue to balance the challenge of containing costs, managing skills shortages, sourcing and retaining key talent, enhancing cultural and gender diversity – whilst also remaining competitive in the global market.

Businesses worldwide are looking to mobility more than ever to help them reach into fast growth markets and create the global mindset needed by today's business leaders. As a result, organisations are starting to proactively consider their longer term global workforce needs, not just reacting to short-term needs. This often involves tapping into talent pools in new geographies and new demographic segments, in order to develop an agile global workforce that can thrive in an increasingly unpredictable global landscape.

Aligned to this, the need for strategic global mobility programs and streamlined processes is continuing to increase in importance for organisations. PwC's 18th Annual Global CEO Survey found that the list of worries for CEOs is long, spanning everything from overregulation to the threat of a pandemic, but it's the risk that they'll fail to find the skills and talent they need to succeed in this new world that is fast rising to the top of their list.

If finding, recruiting, retaining, developing and inspiring key talent within the organisation is of key importance, having strategic mobility policies and processes to support the business and its people is critical. Without robust, flexible policies that are market competitive and aligned to the strategic objectives of the business, international assignments are more likely to fail. This can be costly and time consuming.

In May 2013, PwC Australia conducted our first survey into Local Plus and Local Transfer Policies and Practice. This report highlighted the growing use of Local Plus assignments and indefinite international transfers, in conjunction with the use of more traditional assignment policies. Since the release of those results, we continue to have many and varied conversations with global mobility professionals regarding these assignment types, particularly local plus assignments.

Our focus in this report is on the policy and practices organisations use for Local Plus assignments. Using the results obtained from this survey, we have been able to compare and contrast the key changes since 2013, thereby providing a picture of the shifts in the market over the last two years and an indication of trends that are emerging.

Our sincere thanks to the 42 organisations that shared their mobility policies and practices with us, and took the time to complete the survey.

We hope the results in this report will enable your organisation to review your current practice in comparison to the market, and identify key areas for further development. We would welcome the opportunity to talk to you in further detail about the report and the key findings.

Kind regards,

A handwritten signature in dark ink that reads "Selina Keller". The signature is written in a cursive, flowing style.

Selina Keller

¹ Global CEO Survey Report 2015, PwC Australia



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Report highlights



Level of allowances

The level of allowances and benefits organisations provide to assignees on Local Plus Assignments has decreased since 2013.



Flexibility

Organisations are providing the business with increasing discretion and flexibility to increase/decrease the provision of non-core benefits.



Local plus and Permanent transfer policies

Significant increase in the number of participants who have a permanent transfer (one-way) policy. This number has increased significantly from 57% in 2013 to 71% in 2015. The number of participants using local plus policies has remained consistent.



Right of return

A guaranteed right of return has decreased since 2013, whilst organisations are encouraging mobility and trying to align with talent strategies.

About this survey

The findings set out in this report are based on 42 survey responses from organisations within Australia, and was completed by individuals who have primary responsibility or are heavily involved in global mobility within their organisation.

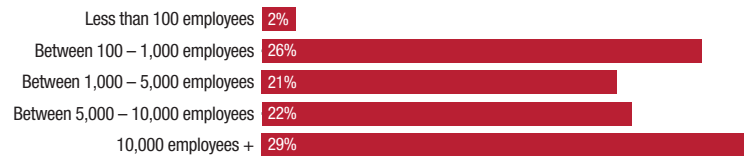
The survey was carried out in May and June 2015. The participants bring together a representative cross-section of business types, sizes, sectors and Australian and international headquartered locations as detailed below.

HQ location (%)

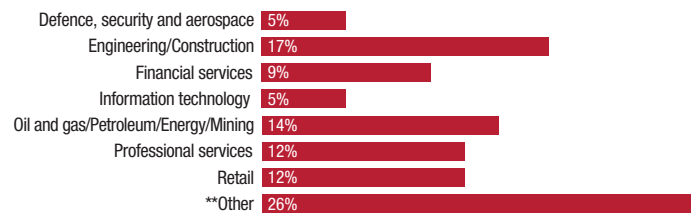


**Other: 10% of participants noted their head office was in the United Kingdom, with the remainder of this category being made up of organisations that have their head office in Canada, Ireland, Japan and the United States of America.

Number of employees globally (%)



Industry sector (%)



**Other: organisations from the airline, beverages, education, hotel, logistics, manufacturing, not-for profit, packaging, pharmaceutical and telecommunications.

Organisation type (%)



**Other: not for profit, NYSE, FTSE100 and the Toronto Stock Exchange.

Methodology

Organisations that participated in the 2015 survey completed a range of questions via an online survey in June. The questions covered a range of topics including the types of mobility policies, the reason local plus policies were used and the range of benefits provided under these policy types.

Many of the organisations who participated in the 2013 survey also participated in the 2015 survey. However, there were a number of new participants in 2015 and some organisations chose not to participate in 2015.

To the extent possible, we have drawn reasonable comparisons between the data provided in 2013 and 2015.



Key findings

Policy types

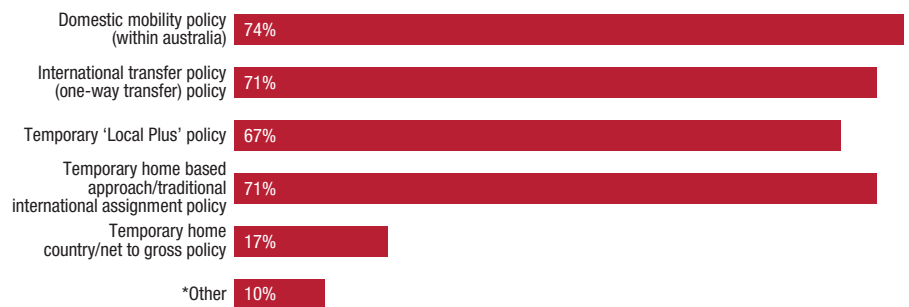
The results of the survey show that the use of policy tiers to link investment in global mobility more closely with the overall value to the organisation is still very common within participating organisations. In the market, we tend to see organisations have enhanced policies for strategic, business critical roles or for high calibre employees and leaner, more cost effective policies for developmental, employee requested or less critical assignments. The results align with this with 60% of surveyed organisations having 3 or 4 global mobility policies that they use, dependent on host country, assignment and/or business rationale. Specifically:

- 71% of participants use the traditional home country, equalised approach for some of their temporary international assignments (30 organisations). This is down from 79% in 2013.
- 71% of participants indicated that they have an International Transfer Policy (30 organisations).
- 67% of participants indicated that they have a Local Plus Policy (28 organisations).
- 52% of participants indicated that they have both Local Plus and Traditional International Assignment Policies. (22 organisations)
- 43% of participants indicated that they have Local Plus, Traditional International Assignment and Permanent Transfer Policies (18 organisations).

Of the organisations surveyed, 71% indicated that they have an International Transfer Policy. This is typically defined as being a one-way move where the employee is transferred to a new entity in another country indefinitely. Generally limited relocation assistance and no right of return to the original home location is provided. This is a significant increase compared to the survey results from 2013 whereby only 57% of participants had an international transfer policy.

So what?

The results suggest that more organisations are shifting towards their employees having a global rather than local mindset. International experience is seen as increasingly important, and transfers from one location to the next (rather than the more traditional home-host-home move) are becoming the norm. This shift could also be driven by cost pressures and a desire to deploy and reward mobile talent in a way that is more equitable with local employees.



*Other includes Short Term Policy, and Graduate Rotation Policy.

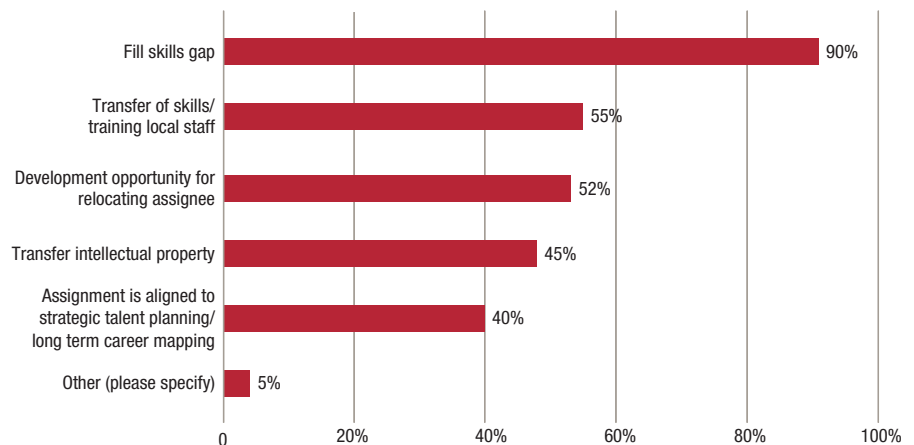
Definitions – the broad definitions that we have used throughout this report are noted below.

- **Local Plus:** typically where the employee is sent on a temporary international assignment. Generally, assignees receive less allowances/benefits than a traditional international assignment.
- **International Transfer:** typically where the employee is transferred to a new entity in another country indefinitely. Generally no right of return is provided to the original home location.
- **Traditional International Assignment Policy:** traditional approach to international assignment where the employee is provided with a range of benefits and is tax equalised.

Assignment selection

When asked why organisations send employees on international assignment, the most frequent response was to 'Fill skills gap' (90%). Transfer skills, training local staff (55%) and development opportunity for relocating assignee (52%) were the next most common responses. Only 40% of organisations who responded indicated that international assignments are aligned to strategic talent planning/long term career mapping. This aligns with the results from PwC's "Moving People with purpose. Modern Mobility Survey" (2014) which found that only 44% of HR and mobility teams are currently partnering with the business to plan for future talent needs. Interestingly the survey found that two thirds expect to be doing this by 2017.

Both surveys suggest that there is an opportunity for global mobility functions to link more strategically with HR and Talent specialists within the organisation. Whilst it can be challenging to align multiple stakeholders within an organisation, getting this right can ensure that the right talent is in place when it is required. It can also help ensure a consistent approach and maximise the return on investment to the organisation.



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Business discretion and flexibility

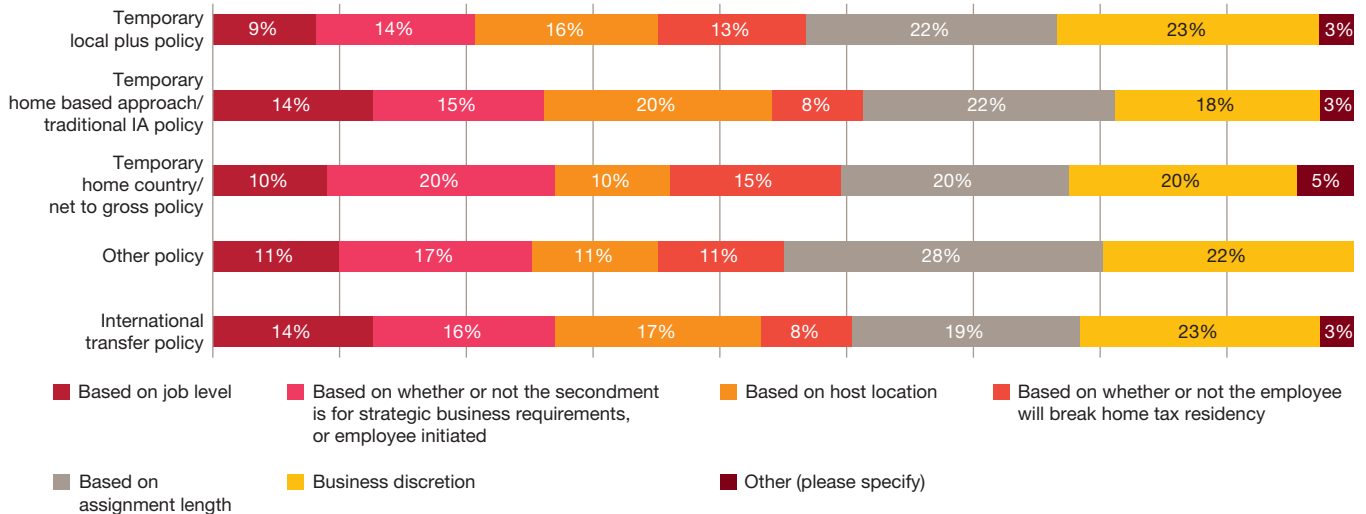
We asked organisations how they select which assignment type they use for relocating employees. The results were mixed, with no particular assignment category or reason being particularly prominent.

The results indicate a high proportion of participating organisations use business discretion to determine which assignment category the employee relocates under, rather than a more systematic process.

Whilst we had expected to see a much higher percentage of organisations use Local Plus assignments for specific assignment locations, of the participating organisations, only 16% base their decision to use this assignment type on location. From our experience in working with organisations to develop local plus assignment policies, we are increasingly seeing organisations choose to use this assignment category for more developed countries (for example assignments to the US or UK) or lower tax jurisdictions (for example, Singapore or Hong Kong). This

primarily seems to be because either living standards and/or salaries are deemed comparable with Australia or these locations are easier for Australians to live in.

These results suggest that there may be potential for organisations to review their assignment selection/decision process to provide greater clarity around when particular assignment types should be used and to remove some of the business discretion from this key decision.



Gender diversity

We are starting to see a greater awareness of gender diversity within global mobility, however, the results of our survey demonstrate that there is still much progress to be made in this space. In analysing the results of this survey, the gender balance within the organisation overall was not reflected in the number of women undertaking international assignments within that same organisation (for example, the number of females on assignment is often significantly less than the overall gender statistics within the organisation). These findings align with PwC's report 'Developing Female Leaders: Addressing Gender Bias in Global Mobility' released earlier this year which found 7 out of 10 female employees would like to work outside their home country yet only 1 in 4 expatriates are female. Talent diversity and inclusiveness are no longer seen as a soft issue. They are now a core component of competitiveness – and many CEOs (77%) have, or intend to adopt, a strategy that promotes it. We therefore expect this to become an area of increasing focus within global mobility.

Local plus specific trends

Shift away from guaranteed right of return

Interestingly, the results show a decrease in the provision of a guaranteed right of return, dropping from 91% in 2013, to 67% in 2015 (21% providing no right of return, and 46% indicate that whilst the employee has a right of return, their contract includes a clause noting that the organisation will endeavour to find a suitable role for the individual upon return, and if this is not possible then they will be made redundant).

This can be particularly challenging for an organisation seeking to encourage the international mobility of its employees, whilst at the same time not exposing the organisation to additional risk and cost associated with guaranteeing a right of return. Where we are seeing organisations tackling this issue, they are looking to shift the mobility mindset within the organisation. For example, rather than an international assignment meaning the employee exits the Australian business for a period of time, the assignment is seen as a 'stage' in the employee's career. Ties are maintained to Australia (for example, by way of a coach in Australia) and the employee's longer term career plans are discussed and documented prior to the assignment.

↓ Decrease in provision of relocation entitlements

There has been a significant downward shift in the provision of a number of more traditional mobility entitlements. The results suggest that organisations are generally decreasing the level of assistance provided to employees moving under Local Plus terms and conditions. Specifically:

- Host location orientation, house and school search (70% in 2013, decreasing to 43% in 2015);
- Language training (57% in 2013, decreasing to 27% in 2015);
- Loss on sale of vehicle (26% in 2013, decreasing to 8% in 2015);
- Storage (48% in 2013, decreasing to 29% in 2015); and
- Transport of household goods (91% in 2013, decreasing to 71% in 2015).

↑ Increase in provision of entitlements

There were some areas where we saw organisations increase assistance, primarily medical examinations (35% in 2013, increasing to 59% in 2015). There has also been an increase in the provision of company funded health insurance and assistance for an accompanying spouse.

² Global CEO Survey Report 2015, PwC Australia

On assignment benefits

Three areas that are very topical (and costly) within global mobility policies are education, housing and relocation allowances.

The participants of this survey indicated that they provide the following to individuals on Local Plus Assignments.

Housing

- 48% provide some form of housing support (interestingly, this has decreased from the results when we completed the survey in 2013 whereby 60% indicated that they provide some form of housing assistance). Of the organisations that provide assistance:
 - 11% indicated they cover 100% of the housing costs;
 - 58% indicated that they provide a housing allowance, determined by host location or third party data;
 - The remaining 31% of organisations indicated that they provide some form of allowance determined at business discretion.
- 30% of organisations do not provide any housing assistance and instead see this as an assignee cost.

Education

- 30% of participating organisations provide some form of education assistance (this figure has decreased from our 2013 survey where 52% of organisations provided some form of assistance). More specifically:
 - 4% indicate that they reimburse all education costs;
 - 7% indicate that the employee is entitled to claim a reimbursement up to a capped limit per annum; and
 - 19% provide education assistance in locations where government provided education in the host location is not up to the required standard.
- 37% of participating organisation provide no education assistance
- The remaining third indicated that they may provide at business discretion, or provide assistance on an ad-hoc basis.

Relocation allowance

- 78% of participants provide a relocation allowance. This figure has dropped slightly from our survey in 2013 where 87% of organisations indicated that they provide a relocation allowance. Of the participants that provide a relocation allowance:
 - 35% provide a fixed allowance, based on family size
 - 12% provide a fixed allowance, irrespective of family size
 - 19% provide an allowance based on one month's base salary (paid gross)
 - 8% provide one month's base salary, paid net
 - The remainder provide an allowance based on a percentage of annual salary (4% base on family size, and 4% irrespective of family size), or determine allowance via another ad-hoc or other form (18%).
- 11% do not provide any allowance, 7% provide at business discretion and the remaining 4% determine the allowance based on the host location.

List of participants

- Asciano
- Australian Wool Innovation Limited
- BAE Systems Australia Limited
- Caltex Australia Limited
- Citi
- CSL Limited
- DuluxGroup
- Excelian Limited
- Fluor Australia Private Limited
- Hatch Private Limited
- IHG Plc
- IKEA
- Jacobs Engineering
- Monadelphous Group Limited
- National Australia Bank
- Norton Rose Fulbright
- Nova Systems
- Perpetual
- Qantas Airways Limited
- RMIT University
- Sedgman
- Telstra
- Thales Australia
- The Iconic
- WSP | Parsons Brinckerhoff
- Wyndham Vacation Resorts Asia Pacific
- Xtralis

In addition to the above, another 15 organisations participated but requested to remain anonymous.



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