

# Hardship Assignments: Dealing with Remuneration Aspects, Dual Career, and Family Issues

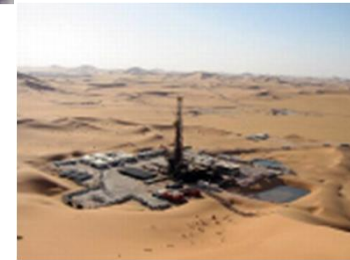
March 2015

**Nithya Abraham, Melbourne**  
**Julia Radchenko, Singapore**

# Agenda

## What we'll cover today

- Introduction: Defining hardship
- Setting allowances and premiums
- Family and spouse support
- Localizing in hardship locations
- Conclusion: Addressing the challenges of hardship location to become more competitive



# What is Hardship? Defining quality of living

**Air Pollution**



**Personal Safety**



**Traffic Congestion**



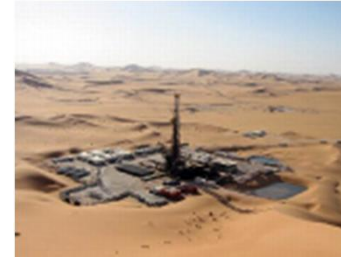
**Access to Airports**



**Hospital Services**



**Isolation**



**Public Transport**



**Education**



**Climate**



Section 1

# Setting allowances and premiums

# Hardship / Quality-of-living Allowance

## Definition

- Monthly payment to compensate for current significant deterioration in living conditions
- Paid net of tax as a percentage of annual gross base salary

## Objective

- To recognize and compensate for difficult living conditions
- To encourage transfers to difficult locations

## Typical Practice

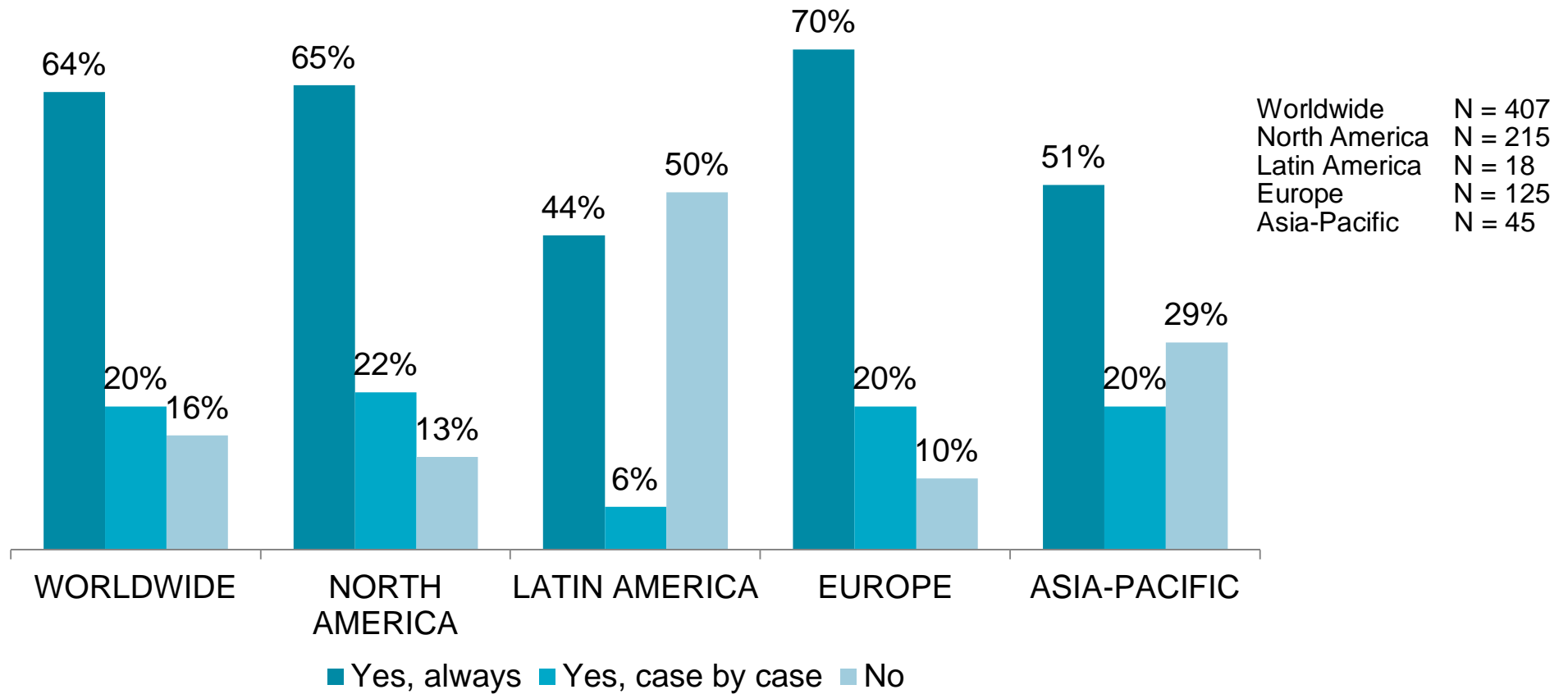
- Hardship allowance determined according to a host approach or home-host approach
- From 0% to 40% - may be higher for extreme hardship locations but this is typically addressed through danger pay

## Trends

- Increasing interest in nationality-specific allowances
- May be combined with Foreign Service Premium

# Hardship allowance

## Do you provide hardship allowance when applicable?



Source: Mercer Worldwide International Assignment Policies and Practices (2012)

## Hardship Allowance

### How is quality of living determined?

#### Quality of living evaluation factors should be:

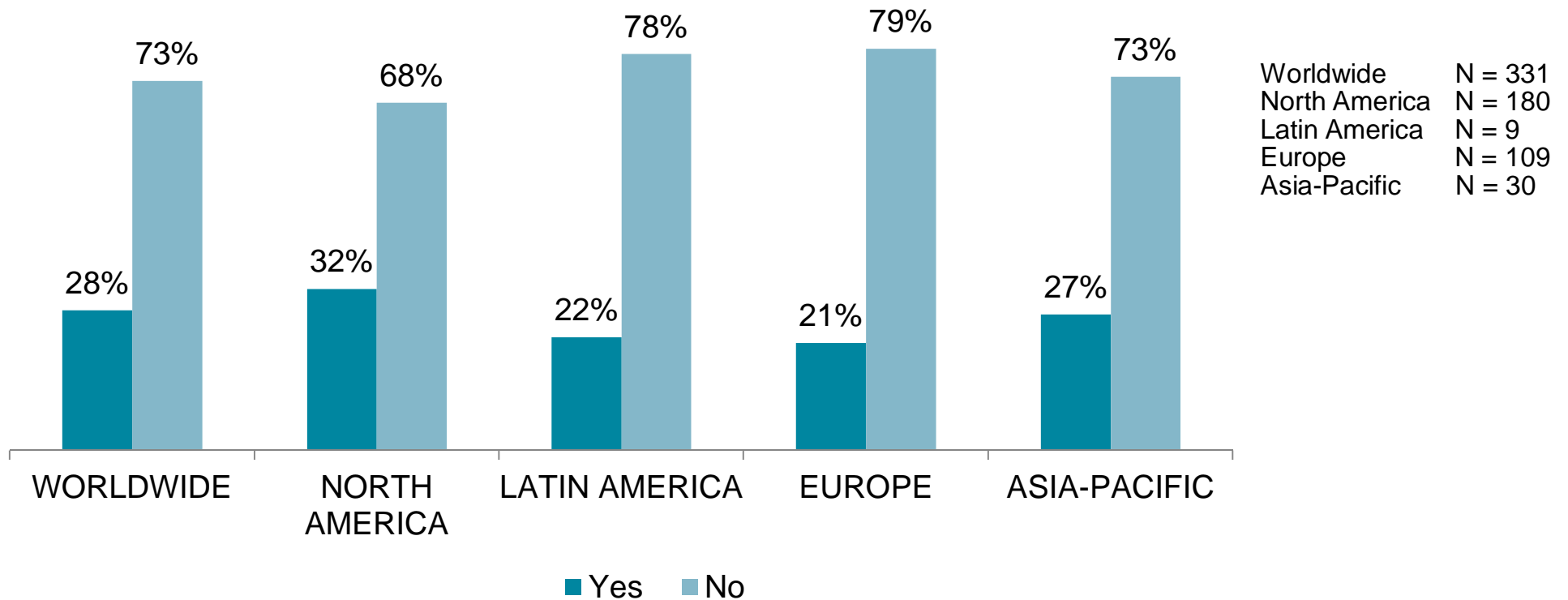
- Neutral and consistent
- Objective
- No national consideration or perspective
- Avoid any cultural and national comparison
- Relevant for an expatriate (single and/or with family)

#### Definitions and criteria for Mercer's Quality-of-Living / Hardship surveys sourced from:

- Professionals within Mercer around the world
- Multinational companies
- International organizations
- Statistics and specialized analysis
- Various governmental institutions
- Other experts

# Hardship Trends

## Do you cap or limit the amount paid as a hardship allowance?



Source: Mercer Worldwide International Assignment Policies and Practices (2012)



## Compensating for Hardship

### Home-host combination approach vs. Host approach

#### Host approach

##### Mercer's Location Evaluation Reports

- Fixed allowance % for each location; ignores assignee's home country
- Therefore, all assignees get the **same allowance percentage** regardless of country of origin

#### Home-host combination approach

##### Mercer's Quality of Living Reports

- Compares living conditions in home locations vs. host locations
- Assignees from different countries may get **different** hardship allowance **percentages**

**In both cases hardship allowances vary according to base salary**

# Hardship Premiums

Two approaches: Different recommended premiums\*

## Host approach

### Shanghai to Jakarta:

- Hardship: 25%

### Singapore to Jakarta:

- Hardship: 25%

### Sydney to Jakarta:

- Hardship: 25%

## Home-host approach

### Shanghai to Jakarta:

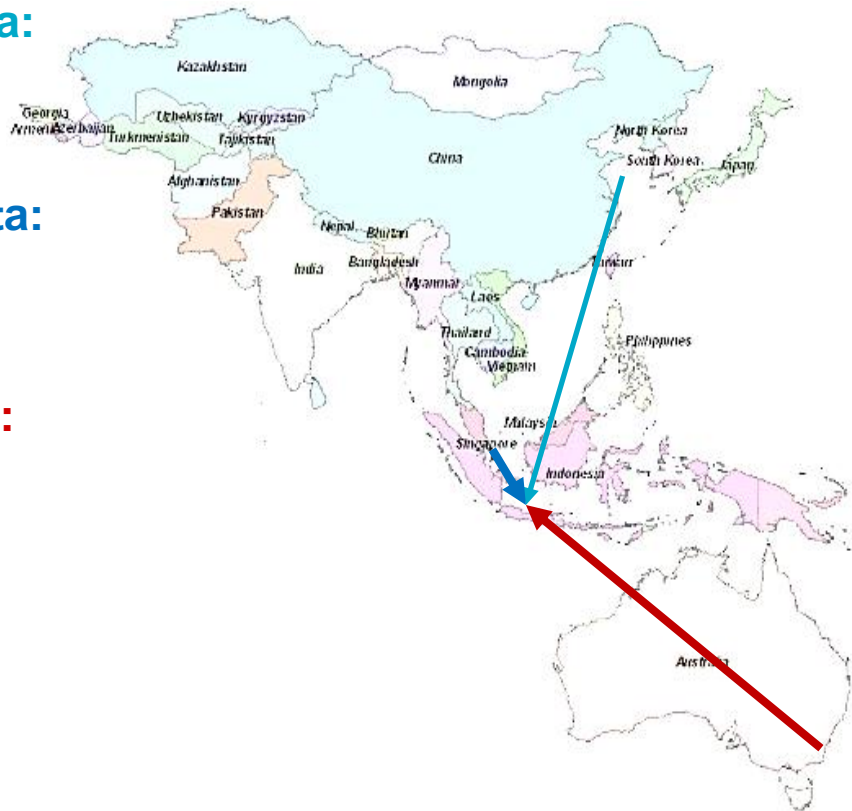
- Hardship: 17.5%

### Singapore to Jakarta:

- Hardship: 22.5%

### Sydney to Jakarta:

- Hardship: 27.5%



\* As a % of home base salary

# Pure Host Approach: Example (Jakarta)

## Mercer's Location Evaluation Report

### Evaluation rating:

- 1 - Acceptable
- 2 - Some problems exist
- 3 - A major problem
- 4 - An important drawback of the location
- 5 - Very severe conditions

*Points are calculated by multiplying the rating by the weight; ratings of 4 or 5 adopt a value of 5 and 8, respectively.*

### Mapping points to premium:

Points	% of Base Pay
150 – 175	5%
176 – 210	10%
211 – 250	15%
251 – 300	20%
301 – 350	25%
351 – 400	30%
401 – 450	35%
Over 450	40%

Below 150, Mercer does not recommend any additional compensation

### Overall Evaluation - Jakarta, Indonesia

November 2012

FACTOR	RATING	WEIGHT %	POINTS
Housing	2	5	10
Climate and Physical Conditions	2	9	18
Pollution	4	6	30
Disease and Sanitation	4	15	75
Medical Facilities	4	8	40
Education Facilities	1	4	4
Infrastructure	3	6	18
Physical Remoteness	2	6	12
Political Violence and Repression	3	8	24
Political and Social Environment	3	11	33
Crime	3	9	27
Communications	1	4	4
Cultural and Recreation Facilities	2	4	8
Availability of Goods and Services	2	5	10
<b>Evaluation score</b>			<b>313</b>
<b>MERCER recommended location premium</b>			<b>25%</b>

# Home-host Approach: Example (Singapore to Jakarta)

## Mercer Quality-of-Living index

### Mercer - Quality of Living Index Result Mercer International Basket September 2012 Survey



*	Index Categories	Base City SINGAPORE (SG)	Host City JAKARTA (ID)
✓	Political and social environment	100	42
✓	Economic environment	100	77
✓	Socio-cultural environment	100	93
✓	Medical and health considerations	100	56
✓	Schools and education	100	80
✓	Public services and transport	100	64
✓	Recreation	100	82
✓	Consumer goods	100	76
✓	Housing	100	80
✓	Natural environment	100	86
	<b>TOTAL INDEX</b>	<b>100</b>	<b>63</b>

**Total Index  
of base city  
vs. host city.**

**The living  
standard in  
Jakarta is  
lower than in  
Singapore.**

Quality of Living Allowance is **22.50 %** of the annual Gross salary.

## Other Allowances and Premiums Related to Hardship Compensation

- Remote or site-specific Location Premium
- Danger Pay
- Foreign service/mobility premium  
(not always linked to the level of hardship)
- Pioneer Premium
- Rotation Allowance
- Completion Bonus
- Rest and Recreation (R&R) Leave



# Are premiums necessary?

## Arguments against premiums:

- Assignment presents opportunity
  - For employee's personal growth
  - For employee's career development

- Globalization

Our “shrinking world” makes international activities the rule rather than the exception, lessening the uniqueness of international work experiences

## Arguments for paying premiums:

- Career development
  - Is there a demonstrated link between international experience and upward mobility in the company?
  - Is nature of assignment career-enhancing?
- Talent War

Are you able to attract the skills needed internationally?



# Security



- Personal Safety (kidnapping, petty crime)
- Geo-political (terrorism, civil unrest)
- Travel (accidents)
- Medical & Health Consideration (pandemic, infectious diseases)



# Security

## Select solutions

- Identify and understand the risks
- Determine the impact from negative events
- Discuss risk mitigation options and priorities
- Constant surveillance and monitoring
- Tracking and monitoring of all assets and threats
- Continuous improvement and evolution
- Education, education, education





Section 2

# Family and spouse support

## Family Support

### Dual career / spouse concerns

The key concerns expressed by many expatriate spouses/partners who accompany the employee on assignment include the following:

**Financial:** Loss of income, loss of pension rights.

**Career:** Inability to continue with a career path on repatriation, gap in skills or knowledge related to one's field.

**Personal:** Boredom, loneliness, isolation, lack of structure due to the inability to continue working.

**Practical:** Lack of available jobs in the host location, visas/work permits requirements, cultural and language issues.



## Family Support

### Dual career / spouse concerns

#### Job search assistance

- Visa and work-permit assistance
- Intra-company and inter-company job search assistance
- Résumé/CV writing assistance

#### Personal assistance

- Pre-acceptance assessment counselling and site visit
- Couple/family counselling at any point before or during the assignment

#### Financial assistance

- Tuition and/or training reimbursement if the spouse/partner
- Lump-sum amount to be used for a selection of assistance programs or any support at the discretion of the spouse/partner

#### Assignment assistance

- Specially adapted cultural and language training
- Relocation assistance to help the spouse/partner settle in and network quickly
- Childcare provisions to enable the spouse/partner to work/volunteer

# Family Support

## Assignment on single status (family stays at home)

- Option if moving the family to the host location is not possible
- Allow to save on costs in the host location while providing additional support for the family:
  - More frequent home leave
  - Flexibility for the family to fly to the host location on a frequent basis if appropriate
  - Higher mobility premium / disturbance allowance possible



## Section 3

# Localizing in hardship locations

## Localizing in Hardship Locations

- Full localization is difficult to achieve: Local Plus instead of pure local package?
- Objective: reducing costs by eliminating ongoing expatriation-related allowances but still ensure that safety and basic comfort is sufficient
- Need to define the minimum level of support that must be applied in terms of security, health, pension, and remuneration
- Using a buy-out package (one-time cash payment) is sometimes possible with some experienced expatriates



## Conclusion

Addressing the challenges of a hardship location to become more competitive

# Addressing the challenges of hardship location to become more competitive

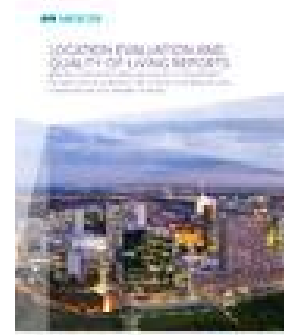
- New generations are more mobile but not all destinations are equally attractive
- A mix of emotional and objective elements have to be taken into account: Difficult locations can be a hard sell while some locations are overvalued by employees
- Companies have a duty to address the fundamental issues around safety and objective difficulties
- Offering the right package and communicating it well is key to attract and retain assignees for hardship locations
- Pay is not everything: Talent management is critical. An assignment to a hardship location is not for everybody
- Next steps: Is accepting an assignment to hardship location likely to boost the career of an employee within your company?





## Mobility and Survey Resources on iMercer.com

- Comprehensive mobility resources:  
[imercer.com/mobility](http://imercer.com/mobility)
- Mercer's Quality-of-Living and Location Evaluation Reports:  
[imercer.com/hardship](http://imercer.com/hardship)
- Mercer's cultural training tools:  
[imercer.com/culturaltraining](http://imercer.com/culturaltraining)
- Upcoming webcasts and archive:  
[imercer.com/gmwebcasts](http://imercer.com/gmwebcasts)



# Questions



**Nithya Abraham**  
Melbourne  
Nithya.Abraham@mercer.com



**Julia Radchenko**  
Singapore  
Julia.Radchenko@mercer.com

## QUESTIONS

Please type your questions in the Q&A section of the toolbar.  
We will answer as many questions as we have time for.

To submit a question while in full-screen mode, use the Q&A button at the top of your screen.

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



**CLICK HERE TO ASK A QUESTION  
TO "ALL PANELISTS"**

## **[iMercer.com/webcasts](http://iMercer.com/webcasts)**

View past recordings and sign up for  
upcoming webcasts

