

2011 Mobility Outlook Questionnaire



The Mobility Outlook Questionnaire (MOQ) is an annual AIRINC survey designed to help participants understand current and future trends in global mobility. Published during the financial crisis that began in 2008, the first two editions of the Mobility Outlook Questionnaire examined the effect of that crisis on mobility programs. This year the survey's scope has been expanded to target the strategic objectives and policy offerings that companies have adopted, or are considering adopting, in response to today's mobility environment.



Associates for International Research, Inc.

March 1, 2011

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INTRODUCTION

The Mobility Outlook Questionnaire (MOQ) is an annual AIRINC survey designed to help participants understand current and future trends in global mobility. Published during the financial crisis that began in 2008, the first two editions of the Mobility Outlook Questionnaire examined the effect of that crisis on mobility programs. This year the survey's scope has been expanded to target the strategic objectives and policy offerings that companies have adopted, or are considering adopting, in response to today's mobility environment.

AIRINC received 86 responses to the 2011 MOQ from companies operating across a range of industries and economic sectors, including Oil, Gas & Energy; Financial Services; Manufacturing & Engineering; and Computers & Electronics. This year's results also cover a wide range of assignee population sizes and program practices.

The two major findings from the 2011 MOQ are:

- 1 Companies are once again expanding their expatriate populations.
- 2 Companies are adopting an increasing number of mobility policies and compensation approaches, with a continuing trend toward multiple policy types and the adoption of lower cost alternative solutions.

KEY FINDINGS

Expatriate populations are increasing.

- ↑ **42%** of companies report an increase in their expatriate populations in 2010, compared to **26%** in 2009.
- ↑ **49%** of respondents are expecting an increase in expatriate populations in 2011, compared to just **30%** last year.

U.S. and Asia-Pacific based companies are more likely to see increases over the next year; European firms will likely hold steady.

- ↑ U.S. and Asia-Pacific companies are more likely to increase their expatriate population numbers, at **53%** and **50%** respectively.
- ↑ Only **38%** of European companies expect to increase their expatriate populations in 2011, although **52%** do report that populations will remain stable.



Expatriate population growth is expected to be strongest in the High Tech, Financial & Professional Services, Manufacturing, and Transportation industries.

- ↑ Over **60%** of High Tech, Financial Services, Professional Services, Manufacturing, and Transportation companies expect growth in expatriate populations during 2011.
- Over **50%** of respondents in the Oil, Gas & Energy and Healthcare industries expect expatriate populations to remain stable; **28%** of these companies are expecting an increase.
- ↑ **46%** of Consumer Products respondents decreased their expatriate populations in 2010, and only **18%** are expecting an increase in 2011.

Companies report, on average, 3.4 formal assignment policies.

Most companies report the use of multiple policies, with three the most commonly reported profile.

The most common formal policy types are *Balance Sheet* (**83%**), *Short Term* (**73%**), *Localization* (**45%**), *Host Plus* (**24%**), and *Commuter* (**22%**).

Half of companies are looking to adopt new policies in 2011.

The most common policy type under consideration is *Localization Plus* (**28%**).

Other policy types under consideration include *Localization* (**26%**), *Reduced Balance Sheet* (**21%**), *Host Plus* (**21%**), and *Commuter* (**21%**).

Decision-makers continue to explore, and implement, low cost alternative packages.

Last year, **15%** of companies had already implemented one or more low cost alternative packages, and another **30%** were considering doing so.

This year, **44%** of respondents – including many who were considering a low-cost alternative package last year – report at least one such package in active use by their companies.

The Balance Sheet is still the most popular expatriate compensation scheme.

83% of respondents report using the Balance Sheet.

74% of companies use the Balance Sheet exclusively for long term assignments.

60% use the Balance Sheet as their only approach to long term assignments, another **14%** use a mix of Full and Reduced Balance Sheets.



Host Plus is used mostly by Financial Services firms and by companies headquartered in the Asia-Pacific and European regions.

43% of Asia-Pacific and **35%** of European firms report the use of a Host Plus package.

Only **14%** of U.S. companies report using the Host Plus package.

45% of Financial Services firms regardless of HQ report the use of Host Plus.

The United States and the United Kingdom continue to be the top sending and receiving locations for expatriates.

The top five sending countries are the U.S. (**80%**), the U.K. (**71%**), Australia (**31%**), Canada (**26%**), and Singapore (**21%**).

The top five receiving countries are the U.S. (**65%**), the U.K. (**50%**), China (**41%**), Singapore (**29%**), and Hong Kong (**22%**).

Tax and immigration compliance are among the top challenges for mobility practitioners today. Other key challenges include:

Designing globally consistent policies, and

Aligning mobility with talent management.

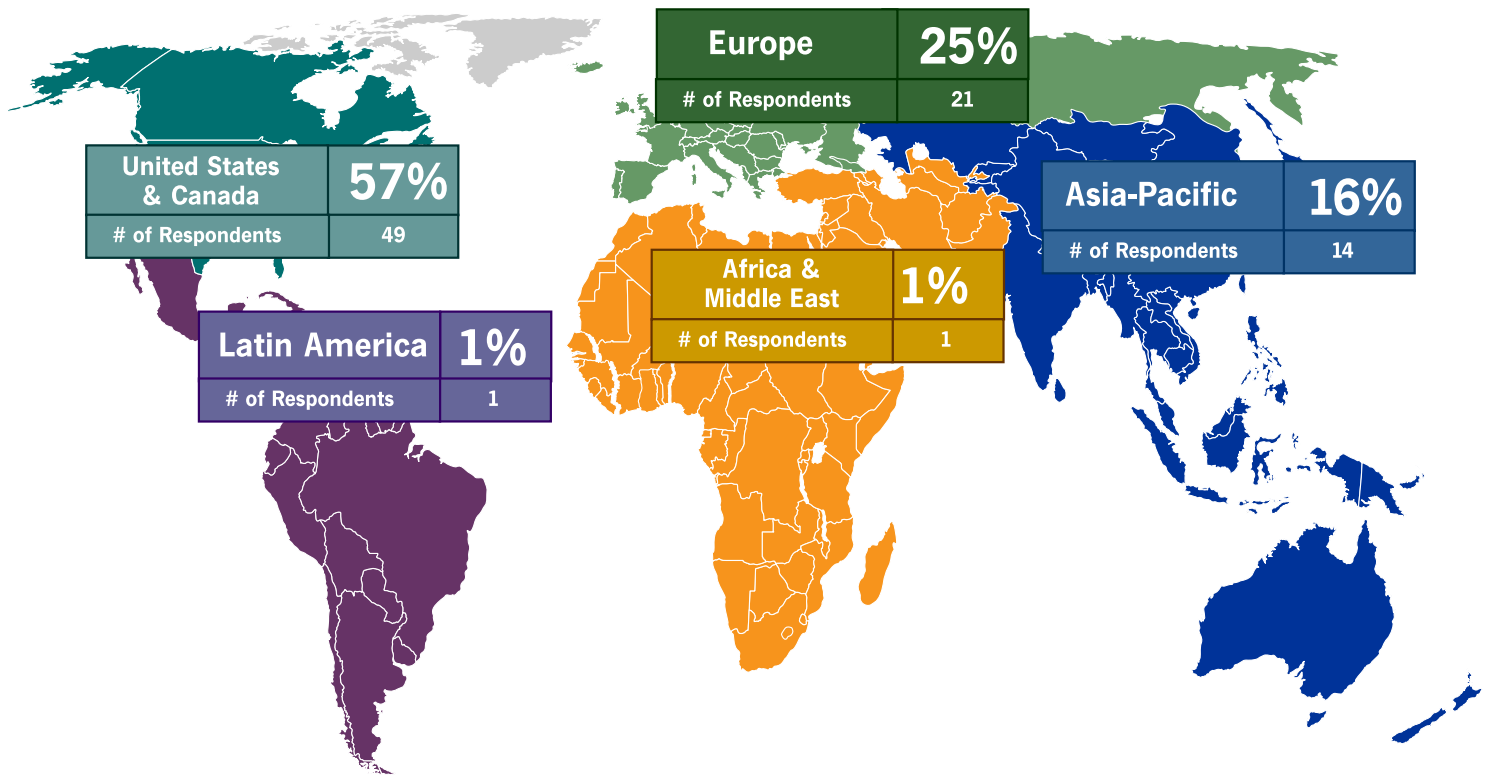
RESPONDENT DEMOGRAPHICS

By Industry Grouping. For analytic purposes, respondents were divided, based on their self-reported industries, into one or more industry groupings. (Please note that percentages total to more than 100% because respondents are oftentimes part of more than one grouping.) Economic sectors represented among this year's respondents include:

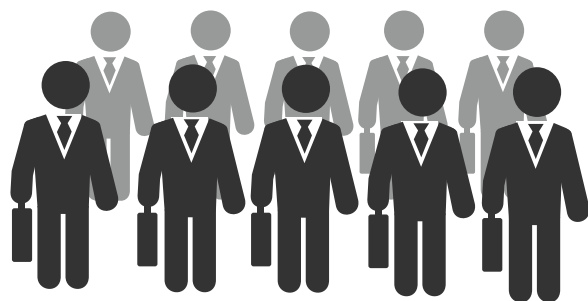
INDUSTRY GROUPING	# RESP.	% TOTAL
Computers & Electronics	14	16%
Consumer Goods	11	13%
Financial Services	20	23%
Healthcare & Life Sciences	7	8%
Leisure & Entertainment	4	5%
Manufacturing & Engineering	16	19%
Oil, Gas & Energy	25	29%
Other Services	9	10%
Professional Services	4	5%
Retail	6	7%
Shipping & Transportation	6	7%



By Headquarters Region. The regions represented in this year's results are detailed below. Although the vast majority of responses came from respondents headquartered in the United States and Canada, this year's Mobility Outlook Questionnaire benefited from a significant increase in respondents from the Asia-Pacific region.



By Number of Expatriates. 66% of this year's respondents reported that they manage programs with 100 assignees or more, although the Questionnaire continues to reflect an increasingly broad and diverse set of viewpoints from practitioners across a range of program sizes. (Please note that the percentages below may not total to 100% due to rounding.)



EXPAT POPULATION	# RESP.	% TOTAL
1 - 10	2	2%
11 - 50	14	16%
51 - 100	13	15%
101 - 250	13	15%
251 - 500	12	14%
501 - 1,000	14	16%
1,000+	18	21%

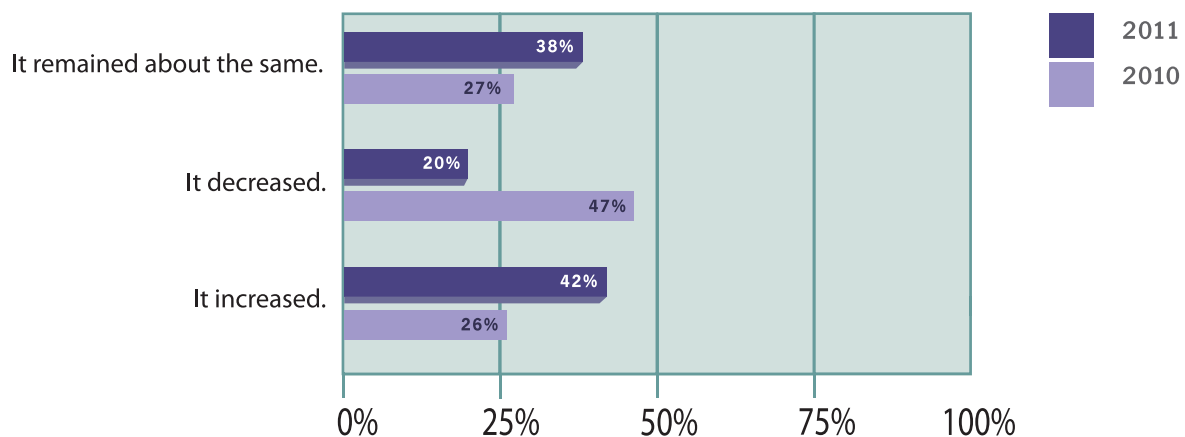


DETAILED SURVEY RESULTS

ASSIGNEE POPULATIONS

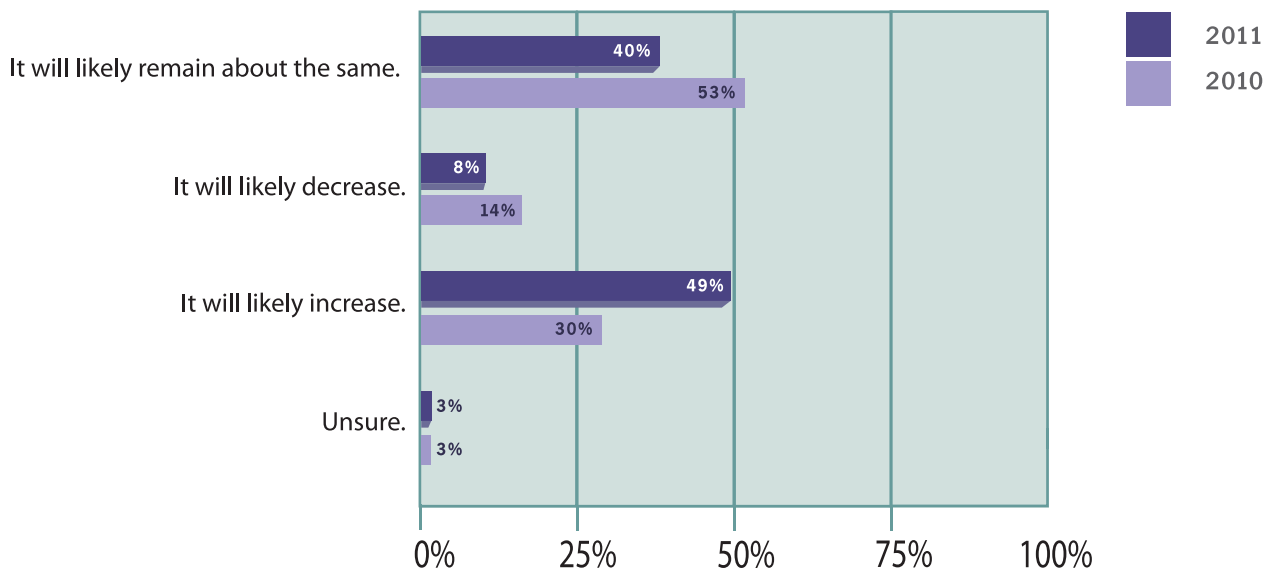
During the Previous Year. On average, expatriate populations in 2010 were stable to increasing. Most commonly, 42% of companies reported an increase in expatriate populations. A further 38% held populations stable, and only 20% reported a decrease.

Question: Over the past year, did your company's number of international assignees increase, decrease, or remain about the same?



Over the Next Year. In the coming year, an increase in expatriate populations is predicted to continue, with 49% of companies reporting an expected increase in 2011 compared to only 30% last year.

Question: Over the next twelve months, do you anticipate that your company's number of international assignees will increase, decrease, or remain about the same?



POLICIES & ASSIGNMENT TYPES

Considering the projected increase in expatriate populations outlined above – and with 40% of this year’s respondents reporting that introducing flexibility and choice into their programs continues to be a significant challenge – it is no surprise that companies are adopting a larger number of policies and compensation approaches to ensure the cost effectiveness of their international mobility programs.

On average, companies reported using 3.4 formal assignment policies, and the number of formal mobility policies is likely to expand further in the coming year – approximately 51% of companies are looking to add new policies in 2011.

NUMBER OF FORMAL POLICIES

Respondents reported an average of 3.4 international assignment policies currently in use by their programs.

As expected, and as shown in the charts below, there is a notable correlation between expatriate population size and the number of policies currently in use. Companies with 100 or fewer expatriates tend to have fewer policies, with 2.3 being the average, while companies with 100 assignees or more reported an average of 4.

The following chart provides a detailed look at program sizes (by number of assignees) and the corresponding number of formal policies. (Please note that the percentages within any given program size band may not total to 100% due to rounding.)

		Number of Expatriates						
		1 to 10 Expats	11 to 50	51 to 100	101 to 250	251 to 500	501 to 1000	1,000+ Expats
Number of Formal Policies	No Policies					8%		
	One Policy	100%	21%	23%	15%	8%	21%	6%
	Two Policies		29%	38%	15%	8%		17%
	Three Policies		36%	23%		33%	21%	17%
	Four Policies			8%	15%		21%	28%
	Five Policies		14%		15%		7%	22%
	Six Policies					8%	21%	11%
	Seven Policies				31%	8%	7%	
	Eight or More Policies			8%	8%	25%		



The following chart provides a condensed summary of program size brackets and the average number of policies for each.

PROGRAM SIZE	Avg. #Policies
Up to 100	2.3
100 to 500	4.3
501 to 1,000	3.9
1,000 +	3.8
All Responses	3.4

POLICY IMPLEMENTATION AND ASSIGNEE COVERAGE

As shown in the sections below, Short Term and Localization policies remain in active use and continue to generate much interest and discussion. Although respondents are increasingly reporting the use of these and other policies, at companies where one or more long term policies is present the vast majority of expatriates continue to be administered as long term assignees.

POLICY TYPE	Avg. % of Expats
Long Term Assignment	72%
Short Term Assignment	17%
Localization	12%

GLOBAL MOBILITY POLICIES IN ACTIVE USE

The policies reported by this year's respondents cover the full range of international assignment types, with the traditional Balance Sheet (83%), Short Term (73%), and Localization (45%) among the most frequently reported.

ASSIGNMENT TYPE	# Respondents	% Total
Traditional Balance Sheet	71	83%
Short Term	63	73%
Localization	39	45%
Host Plus	21	24%
Commuter	19	22%
Rotators	15	17%
Reduced Balance Sheet	14	16%
Other Policy Type	14	16%
Localization Plus	13	15%
Mid-term/Project-Based	8	9%
Net Salary Package	7	8%
Host (no Plus)	4	5%



LONG TERM ASSIGNMENT POLICIES

The long term assignment (LTA) continues to be the most prevalent assignment type. Companies report that on average, 72% of their total assignee population is compensated using some form of LTA approach, whether Balance Sheet, Host Based, or Net Salary Based.

The vast majority of respondents report having at least one policy governing assignments lasting between one and five years. Of these, 60% report using only one policy for long term assignments, while 40% use more than one. Of those with only one LTA approach, 22% are considering adopting a lower cost alternative in 2011.

Companies with Only One Long Term Assignment Policy. When only one policy is in use, 83% of companies select the Balance Sheet for long term assignments, 10% select Host Plus, and the remainder utilize an alternative approach.

Companies with More than One Long Term Assignment Policy. For companies with more than one LTA policy, 72% report using two formal policies and 28% report using three.

A mix of Balance Sheet options is the most common for those with two policies. The next most common is Balance Sheet and Host Plus.

LONG TERM POLICY COMBO	% Total
Balance Sheet + Reduced Balance sheet	48%
Balance Sheet + Host Plus	35%
Balance Sheet + Net Salary Package	13%

Practices vary widely for companies with three policies, with most using a mix of Balance Sheet and Host Based packages.

Application of Long Term Assignment Policies. When more than one long term assignment policy exists, the Balance Sheet is typically reserved for high value transfers and/or difficult assignment locations. Alternatives like the Reduced Balance Sheet, Host Plus, or Net Salary Package are often then reserved for developmental, lower value, employee accommodation, or regional moves.

The survey results show that when a company has more than one LTA policy, an average of 57% of expatriates fall under the “full” Balance Sheet, while the remaining 43% are compensated on an alternative lower cost plan. This confirms that a significant number of assignees for these companies are being compensated on alternative plans.

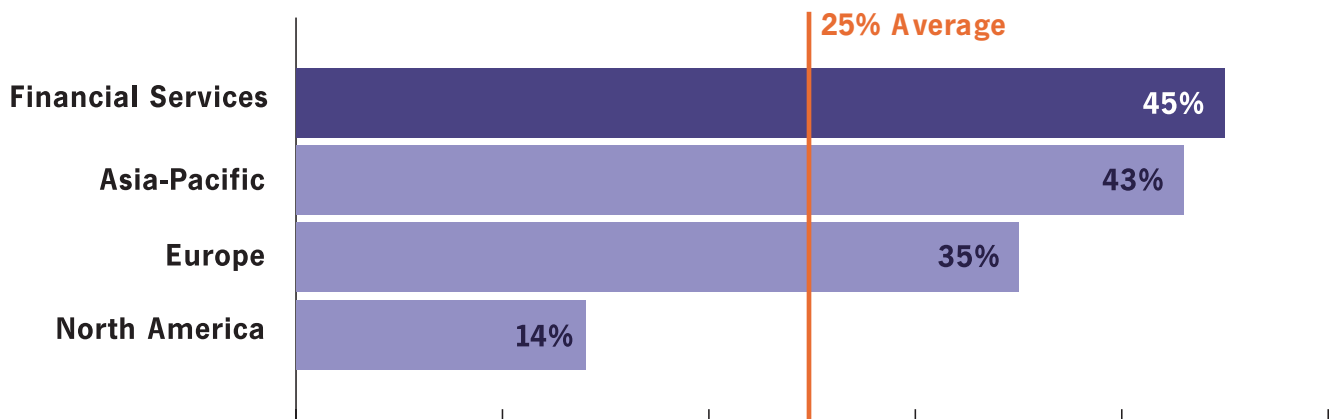


HOST PLUS POLICIES

Although the Balance Sheet is the predominant LTA approach, Host Plus is currently used by approximately 25% of respondents. The use of Host Plus, however, is more common in select regions and industries.

Regional Patterns. European and Asia-Pacific firms are more likely to use Host Plus than North American firms. The Host Plus approach has proven difficult for many U.S. based companies due to the double taxation of U.S. nationals and the high net salaries of U.S. employees.

Industry Patterns. Financial Services firms are also more likely to use Host Plus, as these firms tend to have global salary structures that lessen the negative impact of potential transfers to low wage countries.



The survey found that only 10% of companies use the Host Plus approach as their only LTA solution; Host Plus is often an option offered alongside the Balance Sheet. It is a good option for transfers to high wage and/or low income tax countries, but it is not universally applicable for assignments into hardship or low wage countries, where the Balance Sheet remains a more viable option.

SHORT TERM ASSIGNMENT POLICIES

Companies with a short term assignment policy – approximately three-quarters of this year’s respondent pool – report that an average of 17% of their assignees are covered under this policy type. In the past, many of these assignments were not recognized or monitored; compliance remains a key concern.

The use of short term assignments varies by industry, with greater utilization among companies involved in project-based or service-related work.



LOCALIZATION

Localization remains a hot topic as well, but results vary widely by geography and industry. For companies with large assignee populations with diverse demographics, Localization is less likely to play a prominent role in the overall mobility program. For companies in the Service sector, and for companies with transfers to more mainstream locations, Localization policies are more common.

Overall, 42 of 86 companies reported at least one of two Localization policy types, with an average of 12% of assignees covered under this type of transfer. Interestingly, European clients reported less frequent use of Localization, though greater use of Commuter policies and the like.

POLICIES UNDER CONSIDERATION

Although the traditional Balance Sheet and Short Term assignment policies are still the most common formal policy types, this distribution is likely to change in the coming year. This year's survey found that 51% of companies are looking to adopt new policies in the coming year.

Of those considering adopting new policies, 28% are targeting Localization Plus and 26% Localization. In addition, 21% of companies are looking to add low cost long term assignment approaches such as Reduced Balance Sheet and Host Plus. Commuter assignments were also commonly mentioned as likely to be adopted in the coming year.

ASSIGNMENT TYPE	% Total
Localization Plus	28%
Localization	26%
Host Plus	21%
Commuter	21%
Reduced Balance Sheet	21%
Other Policy Type	16%
Rotators	14%
Mid-term/Project-Based	12%
Short Term	9%
Net salary Package	9%
Traditional Balance Sheet	7%
Host (no Plus)	2%

SENDING & RECEIVING LOCATIONS

The United States and the United Kingdom continue to be the top sending countries among respondents. Of note, five of the top ten sending countries are now in the Asia-Pacific region (Australia inclusive).



SENDING COUNTRY	# Respondents	% Total
United States	69	80%
United Kingdom	61	71%
Australia	27	31%
Canada	22	26%
Singapore	18	21%
China (Mainland)	14	16%
France	14	16%
India	14	16%
Germany	13	15%
Hong Kong	13	15%

Similar results are found in the list of receiving countries. While the U.S. and the U.K. remain the most popular receiving countries, China, Singapore, and Hong Kong are ranked three, four, and five, reflecting the continued interest in the Asia-Pacific region.

RECEIVING COUNTRY	# Respondents	% Total
United States	56	65%
United Kingdom	43	50%
China (Mainland)	35	41%
Singapore	25	29%
Hong Kong	19	22%
Australia	14	16%
Japan	12	14%
United Arab Emirates	12	14%
India	11	13%
Canada	9	10%

PROGRAM OBJECTIVES & CHALLENGES

Respondents were asked to rate a set of commonly cited program challenges on a scale from one to five, with five being the most challenging.

The results reveal that regulatory and compliance issues – along with aligning mobility policy with talent strategy and designing equitable, globally consistent policies – are among the most challenging issues facing practitioners today.

CHALLENGE/OBJECTIVE	AVG.
Tax, immigration regulations/compliance	4.8
Designing equitable, globally consistent policies	4.2
Aligning mobility policy with talent strategy	4.0
Ensuring that policies are competitive	3.9
Reducing exceptions	3.8
Simplifying policies and compensation	3.6
Increasing assignee satisfaction	3.5
Enhancing mobility recruitment/retention	3.4
Cost reduction	3.4
Reducing administration	3.4
Introducing flexibility, program choice	3.1
Accommodating employee assignment requests	2.7
Other challenges (describe)	2.5



SELECTED COMMENTS

“[We would like to address the] challenge of localizing employees in locations where it is of lower salary scale, or where, even though it is higher salary scale, the higher tax negates the attractiveness of the localization.”

Financial Services Respondent

“[We are increasing] focus on the enhancement of mobility related communication with the intent to increase employee understanding of their assignment provisions, reduce exceptions, reduce administration and reduce costs while maintaining highly competitive programs.”

Petroleum & Gas Respondent

“[There is a need] to develop programs to accommodate employee-motivated moves whether for personal or professional reasons.”

Consumer Services Respondent

“We are currently looking at a way to reduce the foreign exchange rate impact on our expats and their compensation; a way of determining what is the home country for career expats and for compensation and the balance calculations; and a policy and means of compensating our top executive expats.”

Consumer Goods Respondent

“[We are always looking to] review global relocation/policy/tax information and solutions so we can update and adjust policies as needed.”

Oil, Gas & Energy Respondent

