

National Salary Comparison





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Introduction

What is the perfect mobility policy?

Persistent economic gloom and the need for most companies to cut costs as a consequence have not resulted in the reduced number of international assignments many anticipated.

On the contrary, stagnation in many companies' traditional markets has forced them to venture into more buoyant economies elsewhere, requiring an expansion in international operations rather than a curtailment. It is therefore more important than ever for companies to recruit and retain people with the necessary skills and experience to fulfil their international ambitions.

In an environment of intense competition for suitably skilled staff, companies must be able to offer a remuneration package that is competitive when recruiting from an increasingly global talent pool. Alternatively, or in addition, companies need a compensation approach that will motivate existing talent to move to work in the country where they are needed most. Organisations must also recognise that increased levels of mobility often lead to an increasingly cosmopolitan workforce, with many different nationalities working together in the same location.

When designing or reviewing a remuneration policy that will promote mobility, the choices companies make are heavily influenced by the issue of equity which, broadly speaking, can be achieved in three main areas: with the employee's colleagues in their country of origin, with peers in the country where they work, and finally equity with other expatriates. In reality, there is no "perfect" approach that delivers equity on all three fronts; companies must find the compromise that best suits the make-up of their mobile workforce.

A company that wishes to achieve equity with home country peers and minimise issues with repatriation may use a home-based pay system (build-up or balance sheet approach) that maintains home living standards no matter what location the employee moves to. Such an approach will not deliver equity with local peers in the host country, however, and can also result in employees originating from different countries being paid different salaries when working in the same country. It can also be difficult or unnecessary to identify a suitable "home" location for foreign employees recruited directly in the "host" country rather than being assigned there, or individuals who are likely to spend their career constantly moving from one country to the next with no intention of repatriating to a designated "home" country.

If there is no requirement to link compensation to a home country and/or equity with host country peers is the company's primary concern, this can be achieved by referencing a local national market rate for the jobs concerned. This policy may be more straightforward to deliver and makes sense for permanent moves, but is only likely to succeed where the employee experiences an increase or at least a continuation of the standard of living they have come to expect in their previous country of employment. As our analysis shows later in this report, employees moving from certain countries like the USA will almost always experience a reduction in buying power if they are paid the local market rate for an equivalent job in a different country. In this case a purely local salary package will provide no incentive to move and will be difficult to implement, probably necessitating the provision of additional benefits such as accommodation to make the overall package more viable. As a counterpoint to this, nationals from emerging markets where much lower salaries are paid may find moves on local terms into more developed locations extremely accommodating, with the converse problem of rising repatriation issues as perceived and actual wealth increases.

“As companies’ populations of mobile employees diversify in terms of the nationalities and levels of seniority involved, it is unsurprising that ECA research shows an increasing trend to using more than one approach to calculate appropriate compensation packages”

As companies’ populations of mobile employees diversify in terms of the nationalities and levels of seniority involved, it is unsurprising that ECA research shows an increasing trend to using more than one approach to calculate appropriate compensation packages. Numerous systems have been developed to try and harness the advantages of both the pure home and host approaches, such as calculating a package using both systems and paying the more generous result, applying a safety-net where one approach falls short, or a hybrid approach that uses distinct home and host country elements.

Such approaches may help to deliver equity on more levels but are rarely the most cost-effective solution, generally delivering the higher salary calculated from a combination of approaches. While this may not be the primary concern for a company that considers employee mobility to be essential to their operations, many of those with responsibility for expatriate pay are simultaneously under pressure to find more cost-effective ways of delivering it.

The National Salary Comparison

The different approaches to salary calculations outlined above produce very different results, and choosing the right one can mean the difference between successful moves and costly failures. When designing or reviewing remuneration policies for mobile employees, ECA’s National Salary Comparison (NSC) provides a big-picture pointer to the remuneration issues companies will encounter, providing a unique guide to the difference in local pay levels between countries.

The NSC looks at typical salaries for locally employed staff around the world and compares them in terms of relative buying power, showing at one quick glance whether an individual’s spending power would be protected if moved to work in another country and paid a local salary to do a similar job.

Over the next six pages, relative buying power is calculated for 55 countries in three stages:

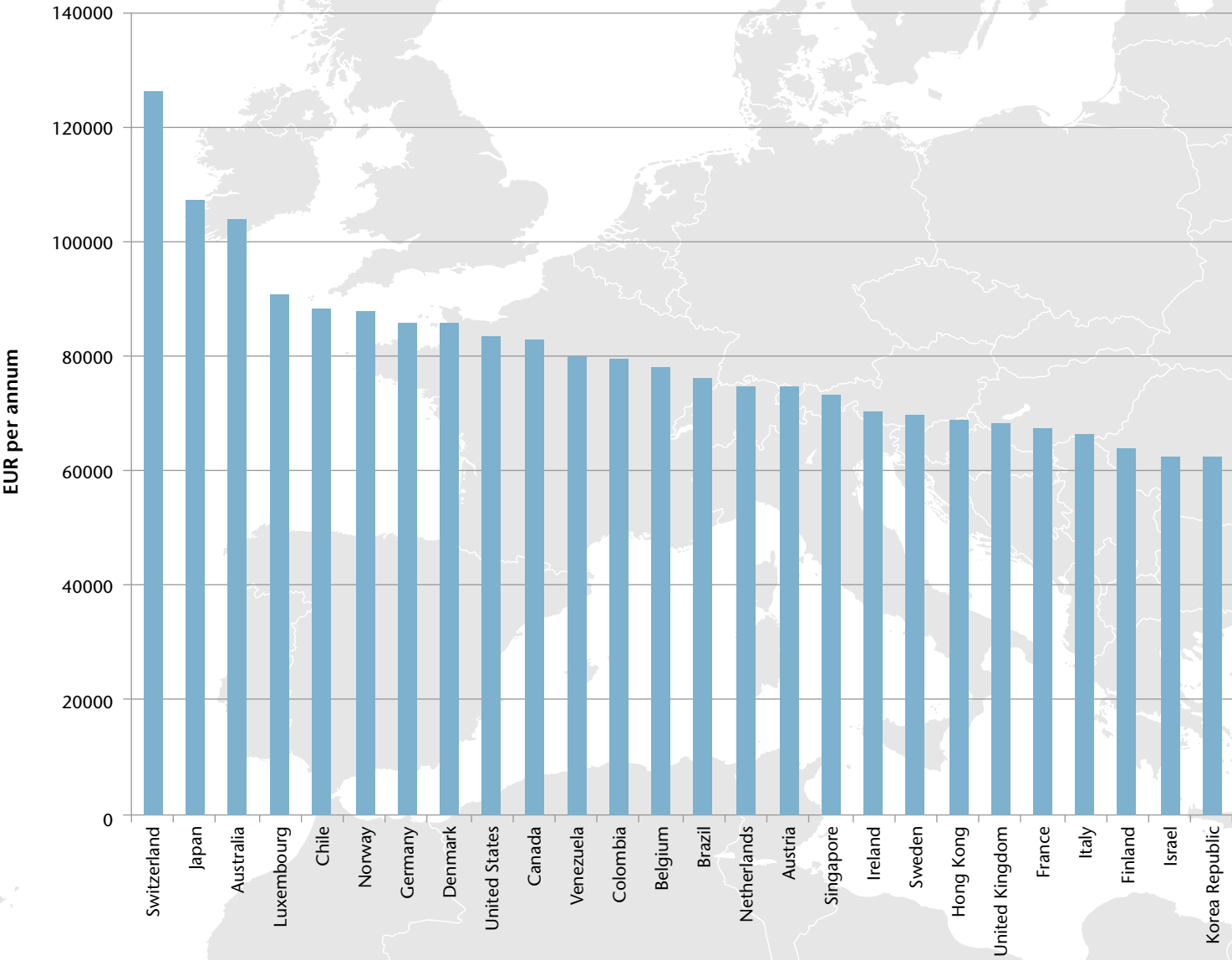
1. The median gross salaries paid for a particular position in the countries of interest are converted to a common currency.
2. The equivalent net salaries are calculated by deducting income tax and social security.
3. Cost of living indices are applied to the net salaries to calculate relative buying power.

The insights from this analysis can help us understand many issues related to global mobility and the policy options open to managers of mobile employees. Will a local salary be sufficient to provide an employee with the purchasing power they enjoyed in their previous location? If the employee is eventually to be repatriated, does the proposed remuneration policy accommodate this? Does it cope with employees likely to be employed on consecutive moves from one country to the next?

Thinking through all of these issues and others using the NSC, even if they are not a current consideration, will make your policy far more robust and pre-empt difficulties that may arise in future as your business expands and develops.

Calculating relative buying power

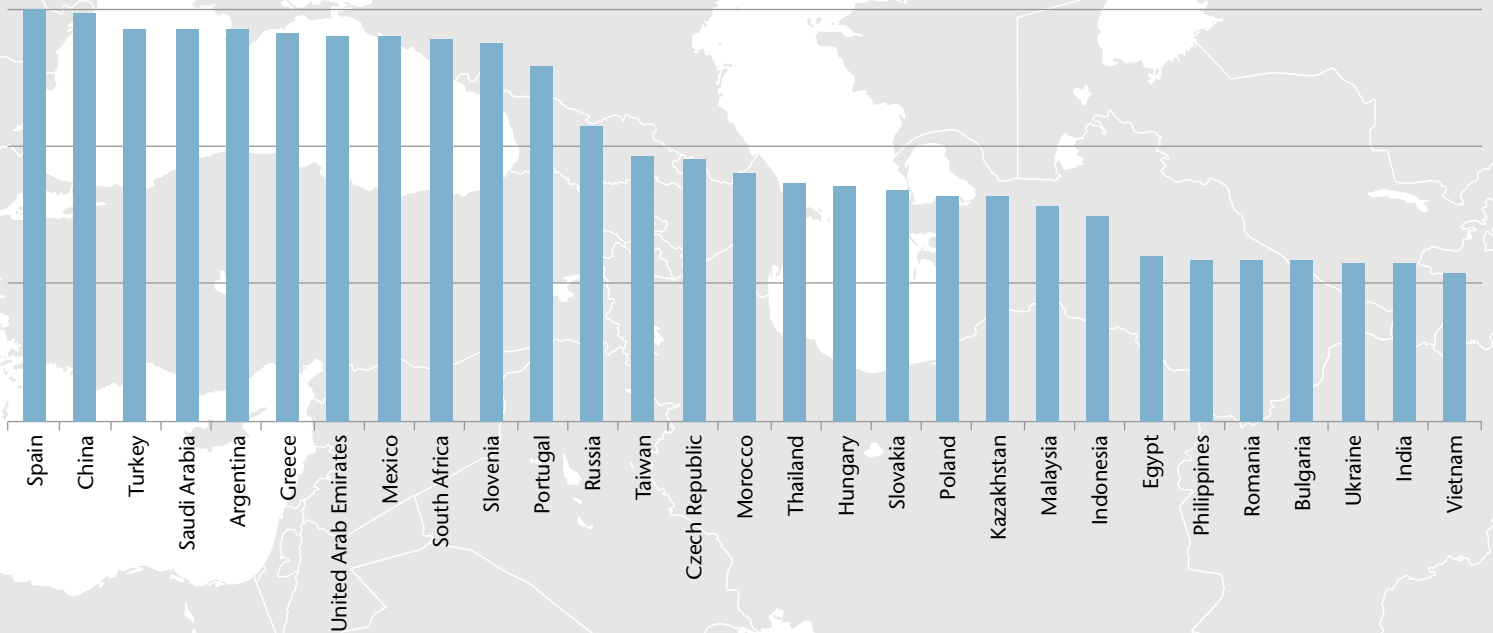
Gross salary – middle manager



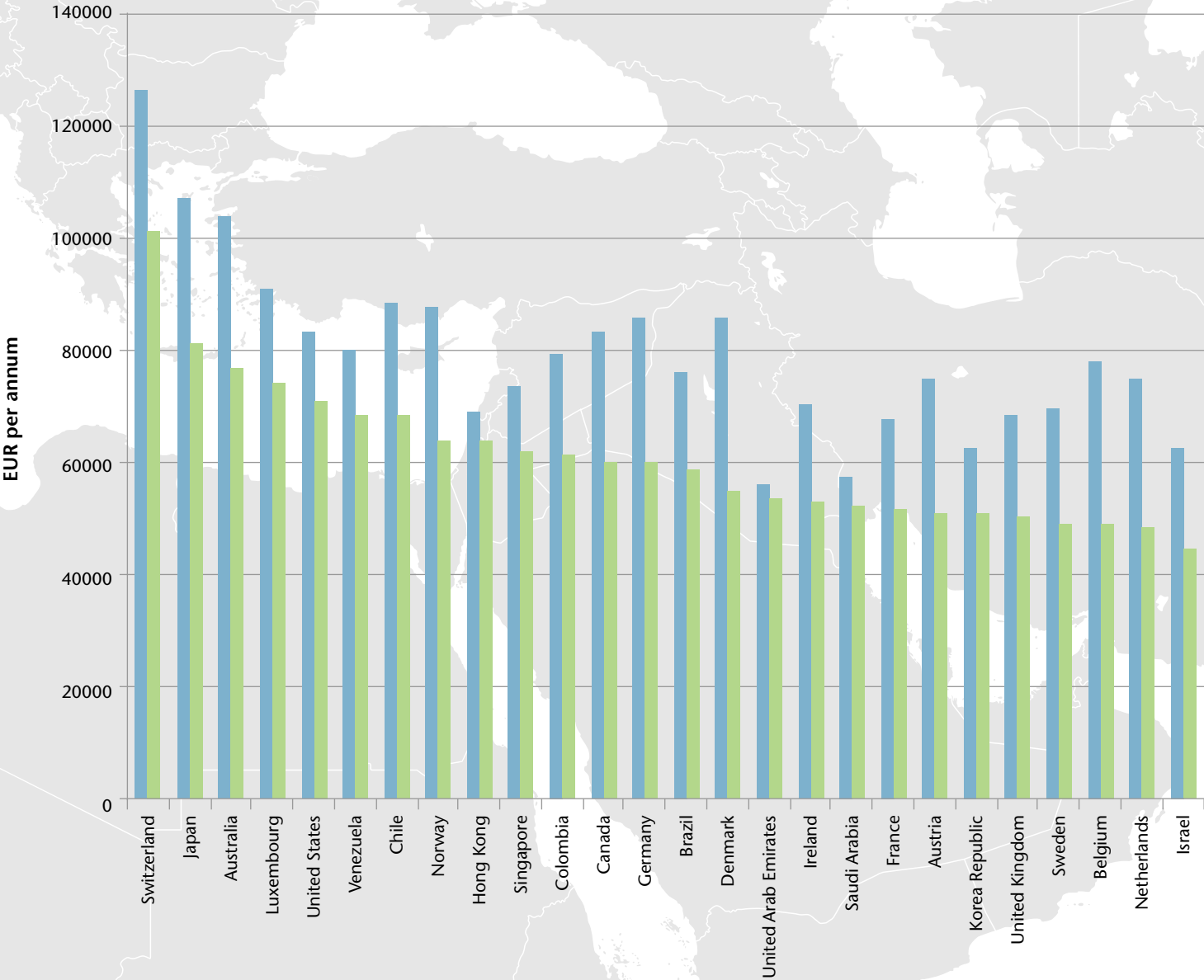
Graph 1 shows the median basic gross salary paid to a middle manager (80 ECA points) in 55 countries (local salary data provided by Towers Watson). Salaries have been converted to euros at the exchange rate on 1 July 2012, as a common currency is necessary for a transparent comparison between countries. The basic pay quoted excludes any performance-related bonus payments or other cash allowances and benefits as these vary considerably from country to country, individual to individual and year to year.

The graph shows that the highest gross salaries for this job level are paid in Switzerland, followed by Japan and Australia. At the other end of the scale, the local market rate for an equivalent position in Vietnam is over EUR 100 000 less.

This simple inter-country comparison of gross salaries is misleading as an indicator of relative wealth, however, as it does not show what the salary can buy in each country. The same salary in two countries might not buy the same quality of life, as the tax burden and cost of living vary widely around the world.

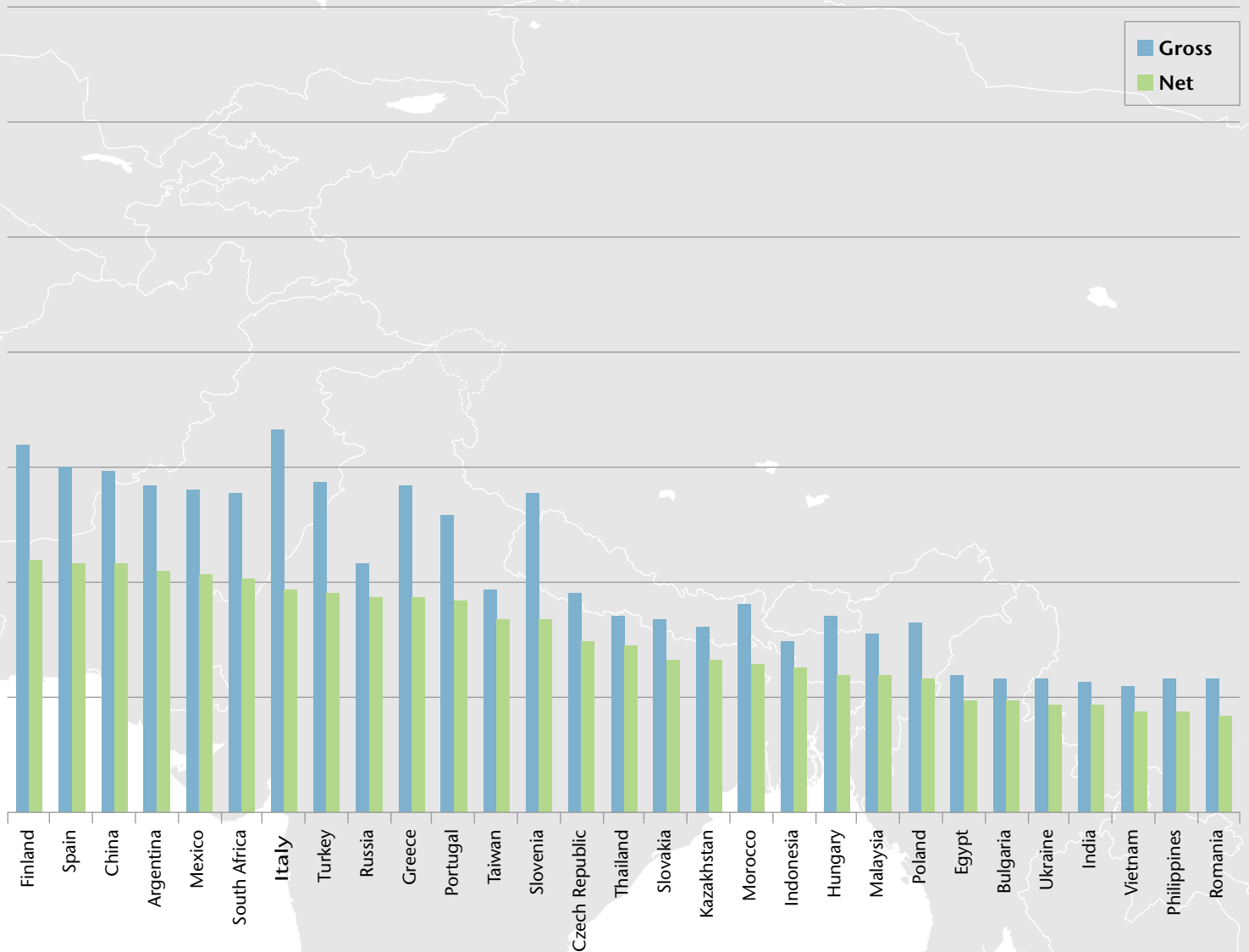


Net salary – middle manager

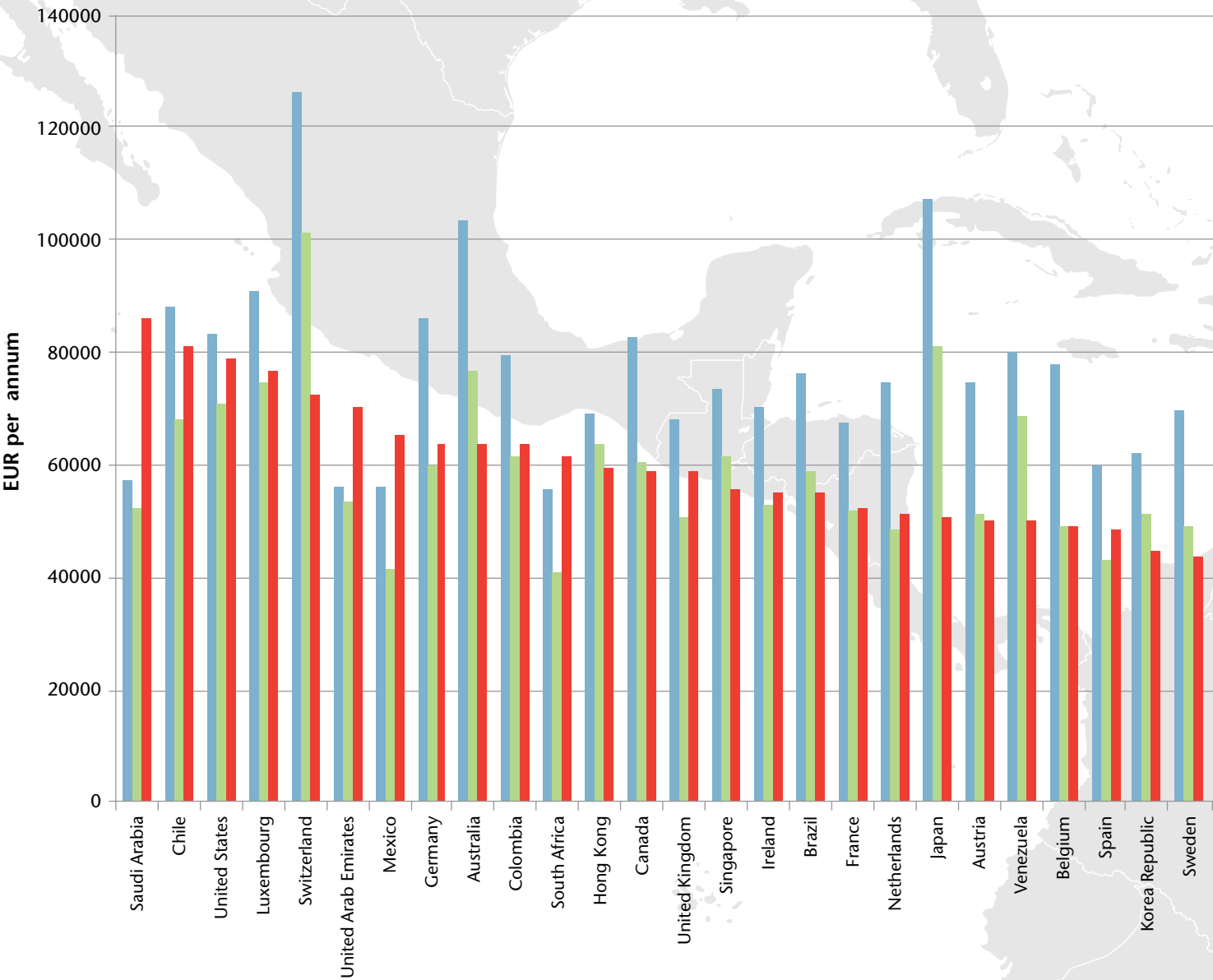


Graph 2 shows the corresponding net values of the gross salaries from Graph 1, calculated by deducting income tax and local social security and by adding family allowances. The tax position is that of a married employee with two children, using ECA's standard tax assumptions for local nationals.

Although the three highest paying countries remain unchanged when comparing net salaries, the relative positions of some other countries change significantly. Singapore and Hong Kong are respectively ranked 17th and 20th in terms of gross salary but move up to 10th and 9th position once their comparatively low taxes are deducted. Germany, on the other hand, slides from 7th to 13th position and Denmark from 8th to 15th.



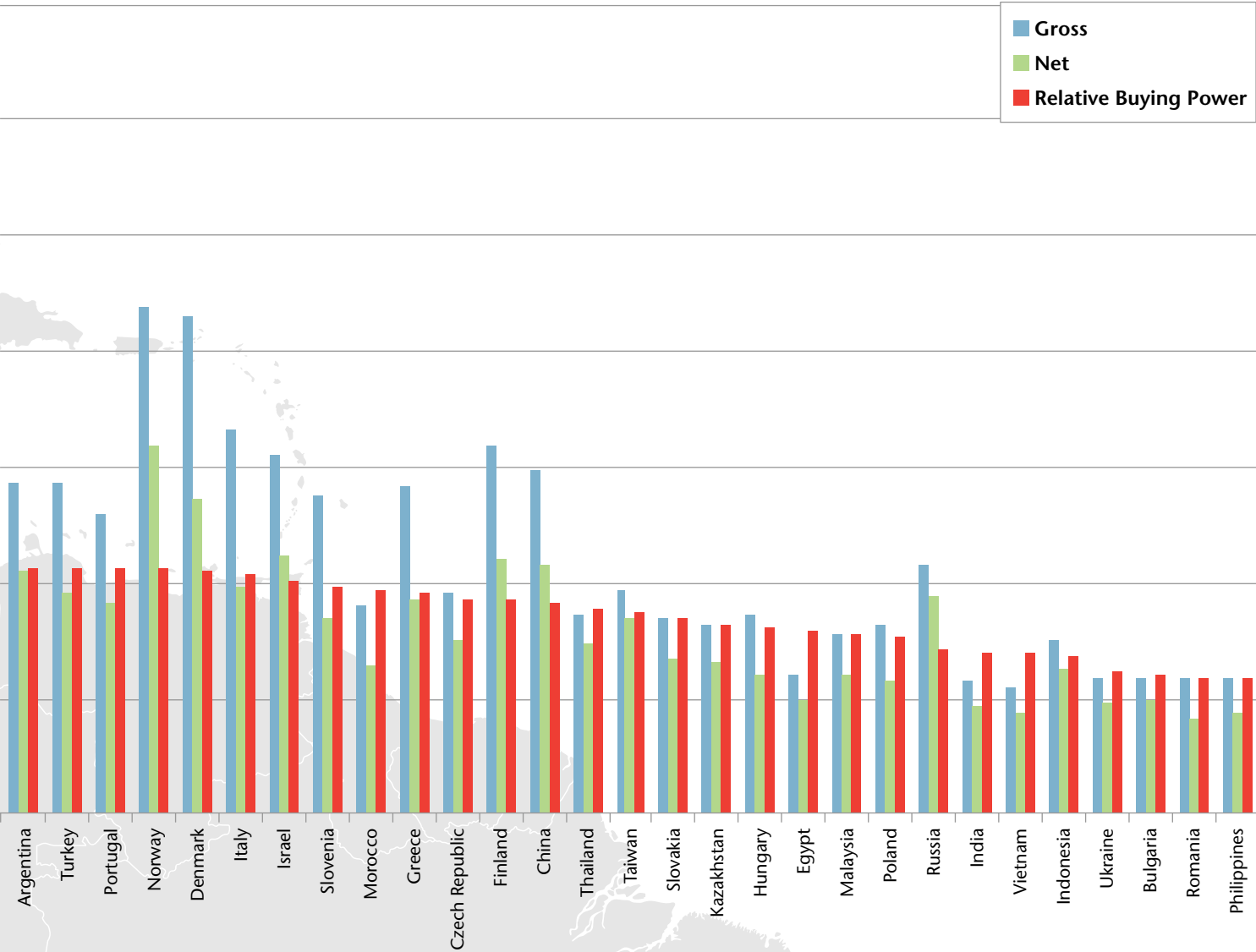
Relative wealth – middle manager



Graph 3 shows net salaries adjusted for the value of the goods that can be purchased in each country, which is achieved by applying ECA's cost of living indices.

The following example has been calculated on a euro base, i.e. all salaries have been converted to euros and all cost of living indices have been stated relative to the cost of the shopping basket in Belgium. ECA is able to compile the data using any country featured in this report as a base for ease of use.

Note that exchange rate movements will not influence the buying power position of countries relative to one another as any fluctuations in currency will be cancelled out by changes in the cost of living differential.





Understanding the NSC

The preceding graphs clearly illustrate how misleading a simple inter-country comparison of gross salaries can be.

In the comparison of net salaries shown on pages 6 and 7, the significant shift in the relative positions of some countries provides a snapshot of contrasting approaches to taxation adopted around the world by governments with different agendas. Hong Kong and Singapore have respectively moved eleven and seven places up the rankings; for many years both jurisdictions have used low tax rates as part of broader strategies to create a business environment attractive to foreign investors. Many countries in Western Europe have traditionally had a different focus, levying high tax and social security rates, particularly on wealthier individuals, in order to meet high social welfare costs. The maximum tax rate in Hong Kong, for example, is 15%, compared to 51.5% in Denmark.

On average, the Nordic countries of Norway, Sweden, Denmark and Finland slip four places in the rankings when tax and social security is deducted, whereas the United States moves four places up the rankings to take fifth place. Although lower taxes make the US salary look like a better deal compared to the Nordic salaries, the higher taxes in these countries are channelled into providing a high standard of free education and universal healthcare. In the US, where public spending on these areas is less extensive, individuals may have to draw on their larger salaries to supplement the state provision.

The rankings are once again reshuffled when cost of living indices are applied and the relative buying powers compared. Initially, a middle manager earning EUR 85 800 in Denmark appears to earn a generous gross salary compared to many other countries, with counterparts in the USA and Mexico earning EUR 83 500 and EUR 56 100 respectively.

We have already seen how Denmark slips eight places down the rankings to 15th place once income tax and social security has been deducted. When cost of living is taken into account, Denmark slides considerably further down the rankings to lower than mid-table. The combination of high living costs and a high tax burden means that the Danish manager has a RBP of just EUR 41 900 compared to that of EUR 79 100 for the American manager and EUR 65 300 for the Mexican.

Comparatively moderate levels of taxation and cost of living mean that the American's generous gross salary translates into even better buying power in relation to peers from all but two other countries. The Mexican manager receives a much lower gross salary than the Danish and US equivalents but the low cost of living there propels Mexico up the ranking in terms of relative wealth.

Relative positions of Denmark, USA and Mexico when comparing gross salary, net salary and relative buying power

Country	Position in ranking		
	Gross	Net	RBP
Denmark	8	↓ 15	↓ 31
USA	9	↑ 5	↑ 3
Mexico	34	↑ 31	↑ 7

Similar patterns can be found throughout the NSC. While the moderate taxes levied in a high-paying country like Switzerland ensure that it also stays near the top of the graph in terms of RBP (despite high living costs), a combination of high taxes and high living costs means others like Japan drop down the rankings. The reverse is true for some countries that pay relatively low gross salaries but benefit from low taxation and low living costs. The graph places Saudi Arabia highest in terms of relative wealth despite the fact that almost 30 countries award higher average gross salaries, owing its position to the absence of personal income tax and low cost of living. The UAE jumps from a moderate 33rd place to 6th in terms of relative wealth for the same reasons.

Countries whose position in the rankings changes by ten places or more when comparing RBP rather than gross salary are shown below:

Developing countries such as India and Vietnam fare modestly on the scale of relative buying power due to their low market rate salaries, however lower living costs in these countries mean middle managers there are better off in terms of buying power than in countries like Ukraine, Bulgaria and Romania where similar gross salaries are paid for this position.

An additional point to consider when comparing the relative buying power in various countries is the family unit. This analysis compares individual salaries in isolation, but in reality a Dutch expatriate, for example, is likely to be part of a dual income household, whereas the Saudi expatriate will probably be the sole earner in his family. It is worth remembering that the Saudi salary on these graphs most likely represents the income for the whole family, whereas the Dutch one might not. The issue of dual careers and incomes and the spouse's role in an international assignment are therefore very important considerations when devising a mobility policy.

Change in ranking when comparing gross salary and RBP relative buying power

Country	Position in ranking		Change in ranking
	Gross	RBP	
Saudi Arabia	30	1	↑ 29
United Arab Emirates	33	6	↑ 27
Mexico	34	7	↑ 27
South Africa	35	11	↑ 24
Norway	6	30	↓ 24
Denmark	8	31	↓ 23
Japan	2	20	↓ 18
Finland	24	38	↓ 14
Venezuela	11	22	↓ 11
China	28	39	↓ 11
Belgium	13	23	↓ 10
Russia	38	48	↓ 10



Implications for global mobility

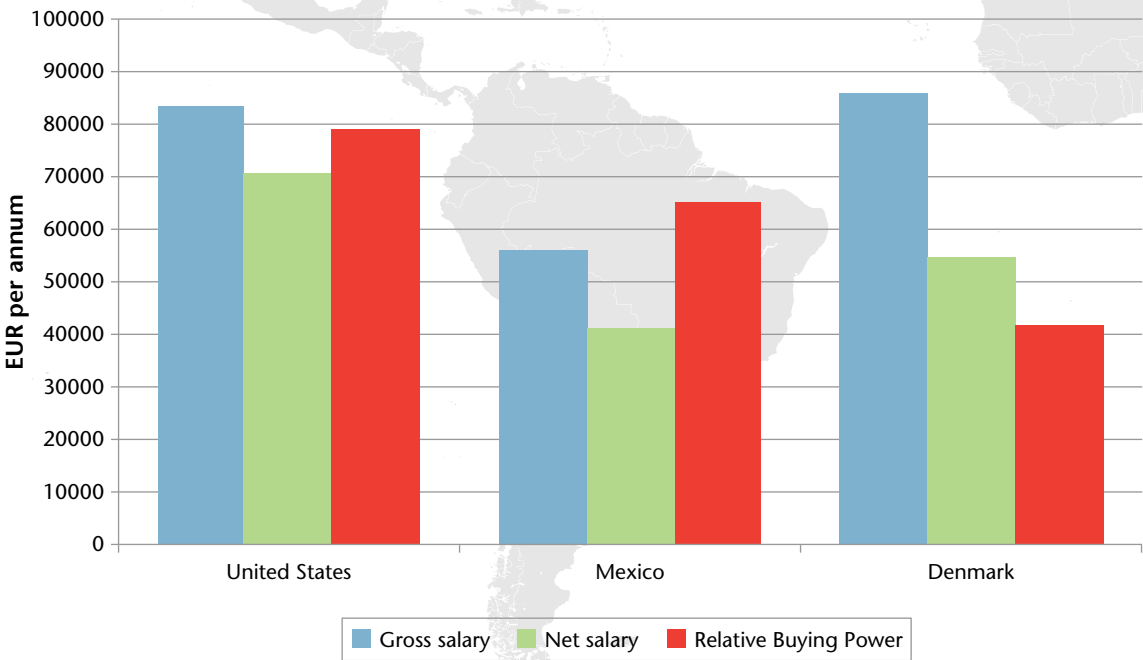
To illustrate the example from page 11 in terms of mobility, the gross salary a middle manager would receive on moving from Mexico to Denmark on local terms would appear to provide ample reward for taking the post. But, in reality, this particular 'pay rise' would not make the employee better off.

Conversely, the immediate impression following a move from Denmark to Mexico would be that a local Mexican salary is not an option; in relative wealth terms, though, the middle manager would actually experience an increase in buying power.

Both the Mexican and Danish managers would experience a significant increase in buying power if employed in the US on a local salary; conversely, paying a US national a local salary in either Mexico or Denmark will result in a decrease in relative wealth and so may not provide sufficient incentive to move, in spite of the slightly higher gross salary on offer in Denmark.

One major advantage of a host-based salary system is that employees of different nationalities working together receive similar levels of pay to each other and to local nationals, however the analysis shows how this approach can tend to encourage mobility in one direction – upwards (i.e. from a country on the right to another to its left on the relative buying power chart). A company that operates in a broad range of countries may find itself with

Relative wealth – middle manager

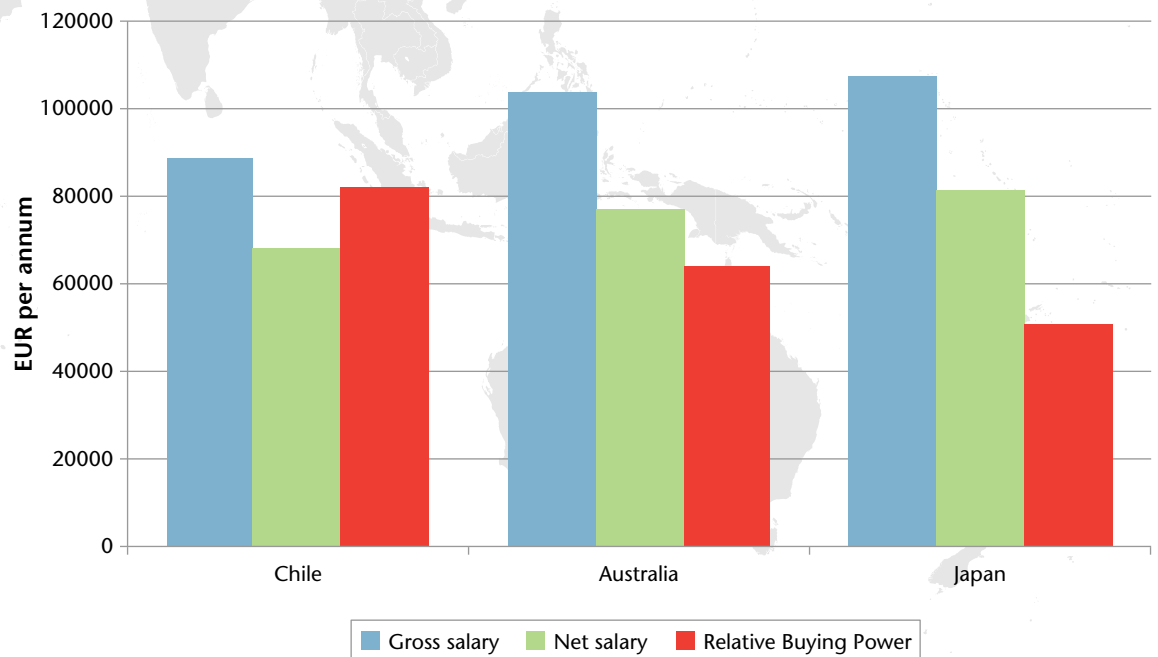


“good” and “bad” postings, with employees tending to resist the latter. It is always going to be a challenge to move employees from countries towards the left of the graph, like Switzerland and the USA, to nearly any other country on purely local terms. The company may need to consider covering the costs of large items of expenditure such as housing to top up the local package to a level where the employee’s spending power is protected; alternatively the company would need to use a different approach to calculating the package altogether. On the other hand the reverse move into Switzerland or the USA on local terms would result in an increase in relative wealth and is more likely to be perceived as a desirable assignment. Note that the composition of countries occupying the left hand side of the chart changes at different job levels, as competition for

appropriately skilled staff in countries like Brazil and Mexico at senior levels is more intense than in more developed countries, and the salary offered increases significantly as a result (more on this in a later section).

There are clear implications for organisations planning to have more than one nationality of employee working together in the same location. For example, a Japanese middle manager would be wealthier in Australia on local terms; a Chilean would not. A more generous package, perhaps providing additional benefits or using a home-based approach, may be required to incentivise the Chilean to move to Australia, but doing so would raise the issue of potential inequity with Australian and Japanese colleagues.

Relative wealth – middle manager



The NSC also highlights challenges that may arise moving an assignee between consecutive appointments in different countries. This example, illustrated below, first looks at moving a middle manager from China to Norway using the local market rate.

The employee’s initial impression would be of a significant rise in gross salary, from EUR 59 500 to EUR 87 600. In more realistic terms, the employee would see an increase in their buying power, but by much less than they might expect: from EUR 36 600 to EUR 42 300. This amount might still constitute a healthy incentive towards making the move.

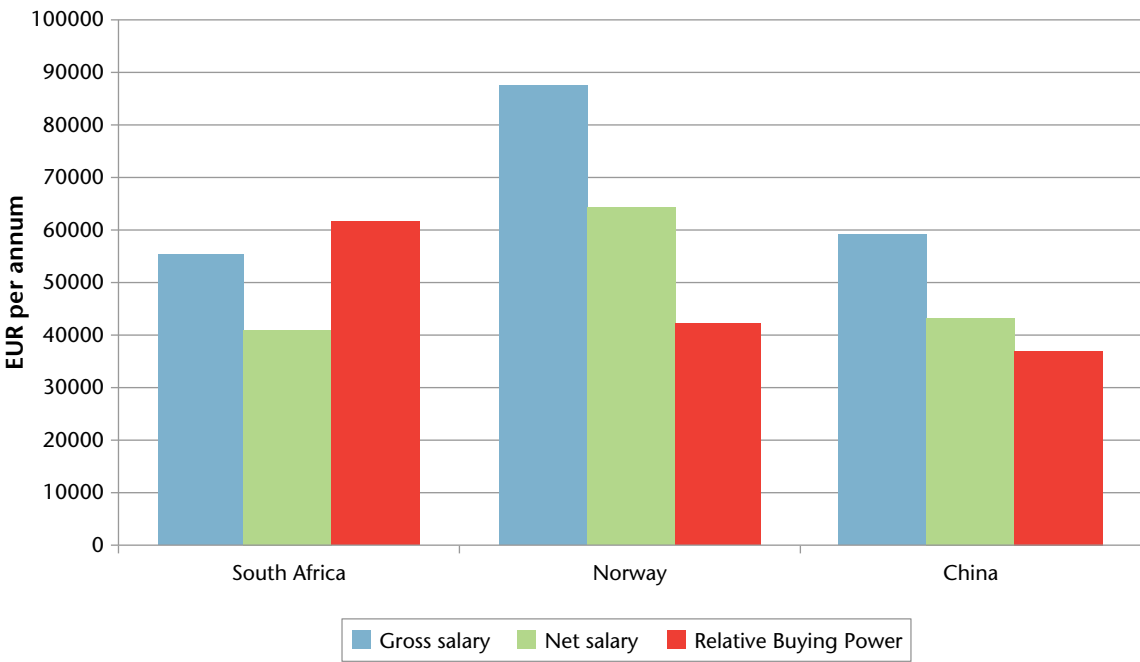
Now consider the assignee’s next move from Norway to South Africa. The senior manager would see a steep drop in their gross salary, from EUR 87 600 to EUR 55 500, less than he was earning in China. But, in terms of the measure of actual wealth, he is still moving upwards, as his buying

power (EUR 36 600 at home) has actually increased from EUR 42 300 in Norway to EUR 61 600 in South Africa.

How would the assignee have felt if he had moved to South Africa first and then to Norway? The employee would have experienced an increase in wealth initially, followed by a substantial drop on moving to Norway. It is also worth noting that a move back to China from either Norway or South Africa would result in a reduction in buying power. Paying expatriates the local market rate is likely to cause few problems while the employee continues to move up the buying power ladder, but, mobility issues may arise when a subsequent posting to a country lower down the ladder, or repatriation, is required.

Being ‘better-off’ is all about having greater buying power. One of the principal challenges in showing the value of a local salary package is being able to communicate its actual buying power.

Relative wealth – middle manager





Regional mobility – Asia in focus

ECA research shows that the number of international assignments initiated each year by companies headquartered in Asia is increasing at a much faster rate than companies based elsewhere in the world. An examination of responses to ECA's Expatriate Salary Management Survey also shows that, compared to the overall sample, the mobile employee populations of Asian companies tend to be drawn from a fewer number of (mostly Asian) countries, and that moves are more likely to take place between countries within the Asia region than beyond.

Although in general the home-based approach continues to be the most widely used method for calculating international assignment pay, host-based remuneration policies are particularly prevalent among companies operating around east and south-east Asia. In other words, a company based in Asia is more likely to use a host based approach to pay expatriates working in Asian countries than companies based elsewhere would, as the table below shows:

When devising a policy to promote mobility within a particular region rather than all around the world, a host country approach is often considered in the first instance, as it is assumed (rightly or wrongly) that living costs, salaries and standard of living will be broadly similar and there is no need to consider common additional premia that might be needed to incentivise moves further afield. Intra-regional moves are also more likely than inter-regional moves to be arranged on a permanent rather than assignment basis, which removes any requirement to link the salary back to the country of origin.

Another reason why host-based policies are more commonly applied in locations like Hong Kong and Singapore is that competition for staff with the appropriate expertise means that it is common to recruit expatriates directly from the large pool of foreigners already working here, rather than having them assigned from elsewhere. There is no home country salary to reference so a market rate salary in the country of employment must be used to devise an appropriate package.

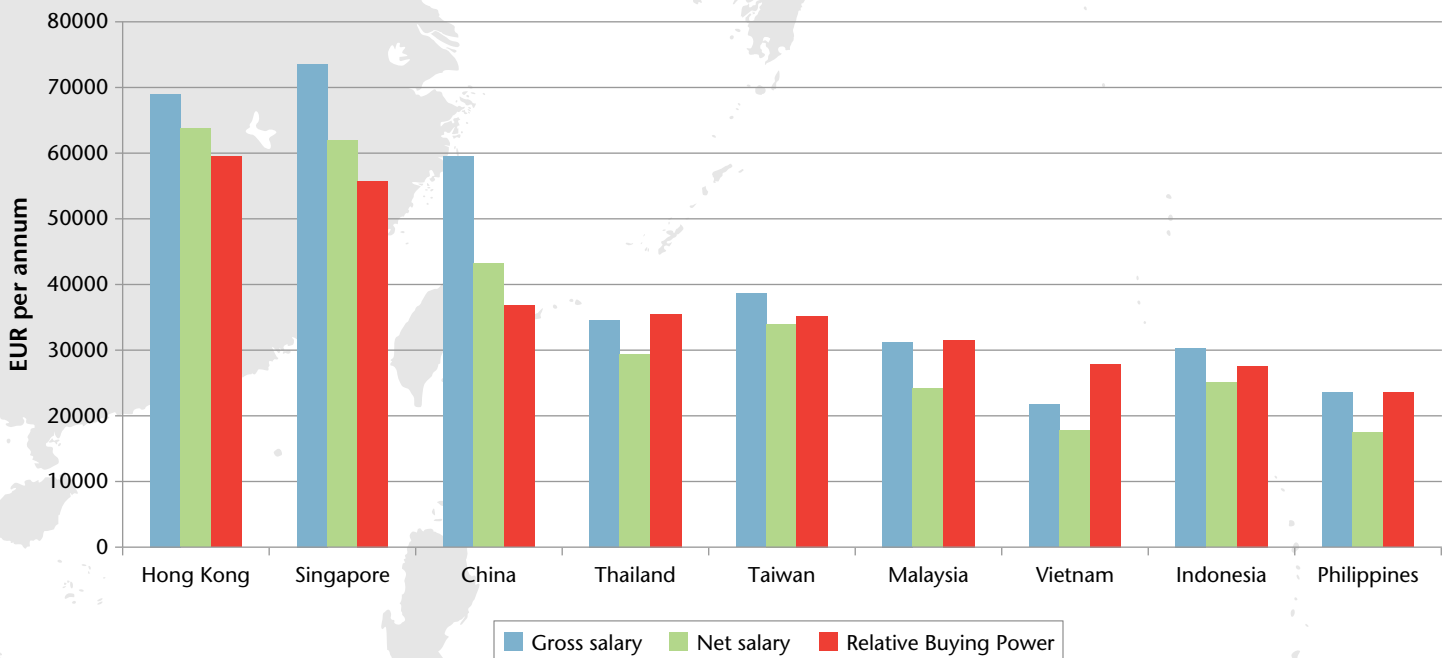
Does the NSC support a policy of paying employees the local market rate when they are mobile within a particular region? The graph facing compares relative buying power for the six ASEAN nations included in the original middle manager analysis, plus Hong Kong, China and Taiwan.

Salary systems used to remunerate mobile employees working in a selection of Asian countries (%)

	China		Hong Kong		Singapore	
	Asia HQ	Entire sample	Asia HQ	Entire sample	Asia HQ	Entire sample
Salary system						
Home-based	73	71	49	58	50	58
Host-based	17	13	43	29	36	27

The figures are taken from ECA's MyExpatriate Market Pay survey conducted in 2012. The results do not add up to 100% as some companies use alternative policies such as a dual or hybrid approach which is not shown in this extract.

Relative wealth – middle manager



Middle managers in Hong Kong and Singapore command significantly larger salaries than their contemporaries in other Asian countries and enjoy considerably higher buying power. The buying powers are similar enough that employees might happily consider moving from one to another on a local package. The remuneration package for a move from either of these countries to any other country in this group, however, is unlikely to be considered competitive if calculated on purely local terms; moves in the reverse direction are likely to be considered quite attractive.

Chinese gross salaries are the third highest in this selection and they will catch up with Hong Kong by 2016 and Singapore two years later if salary inflation continues at current rates. Rising living costs and much higher taxation mean that relative wealth is likely to continue to lag behind, however.

Relative buying power in China is not significantly higher than in Thailand or Taiwan, which suggests that moves on local salaries between these three countries could be a viable option. Similarly, the RBP for middle managers in Vietnam and Indonesia are almost identical, enabling mobility between the two. At a different level of seniority, however, these conclusions may not apply. In a later analysis we will see, for example, that at the executive level relative buying power is higher in Vietnam than it is in China.

It is clear that within this group of countries some moves on local terms could work very well, but with a difference of nearly EUR 36 000 between the highest and lowest RBP it is not a one-size-fits-all solution. In reality, although the host country approach is commonly applied by Asian companies, when we look in more detail at how the host country package is derived we see many are actually paying the market rate salary for an expatriate rather than a local, or using a “local plus” approach that pays the local market rate salary topped up with “expatriate” benefits such as assistance with housing costs and international school fees.

It is more common to pay mobile employees the local market rate salary in Hong Kong and Singapore, where a local salary provides a relatively high buying power, than in China, where the buying power would be much lower so those being paid a local salary are in reality likely to be receiving additional payments and benefits not paid to equivalent local nationals.

Type of host-based system used in a selection of Asian countries by companies headquartered in Asia (%)

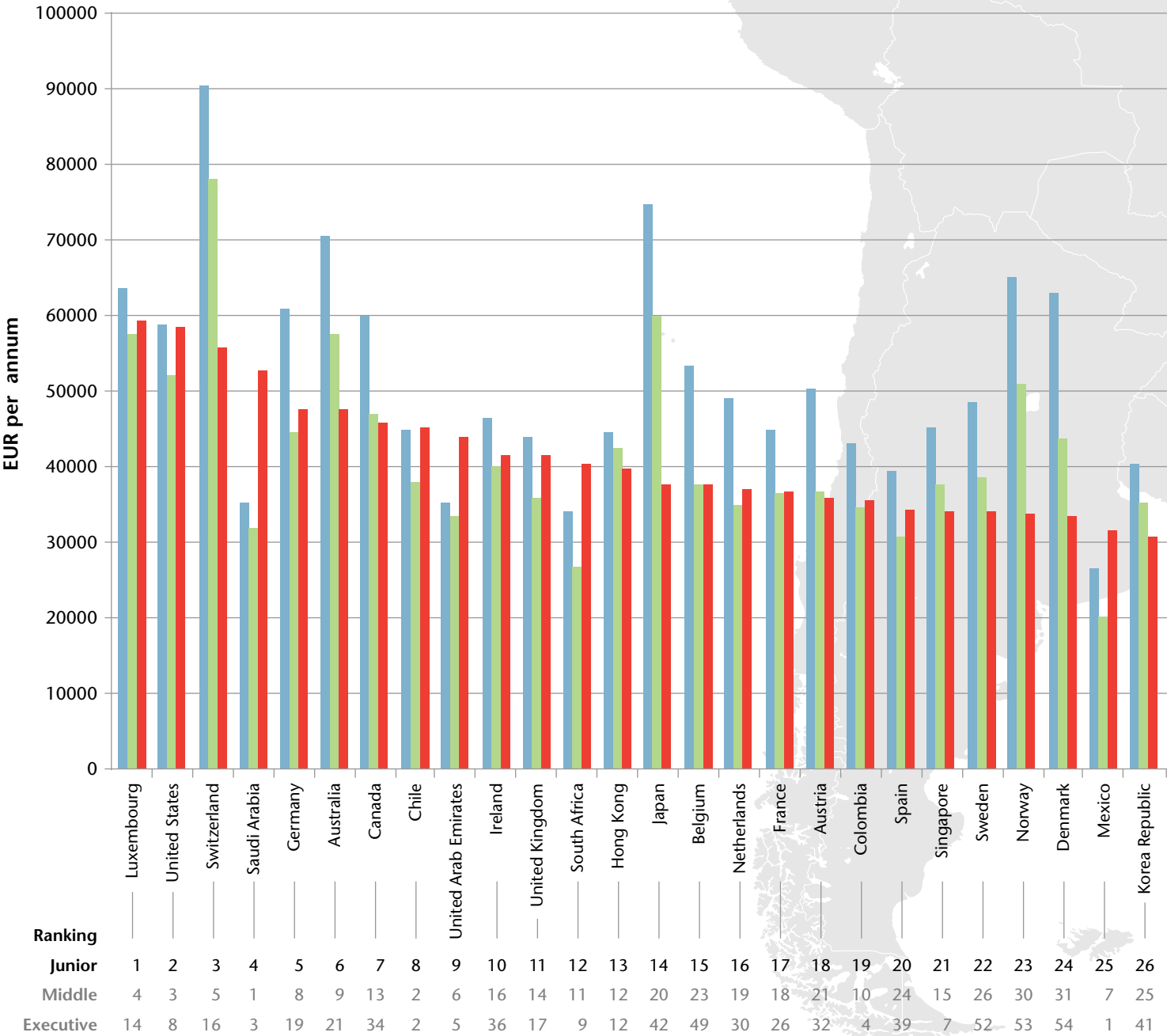
	China	Hong Kong	Singapore
Salary system			
Expatriate market rate	72	39	50
Local market rate	0	33	14
Local plus	28	28	36

The figures are taken from ECA's MyExpatriate Market Pay survey conducted in 2012.



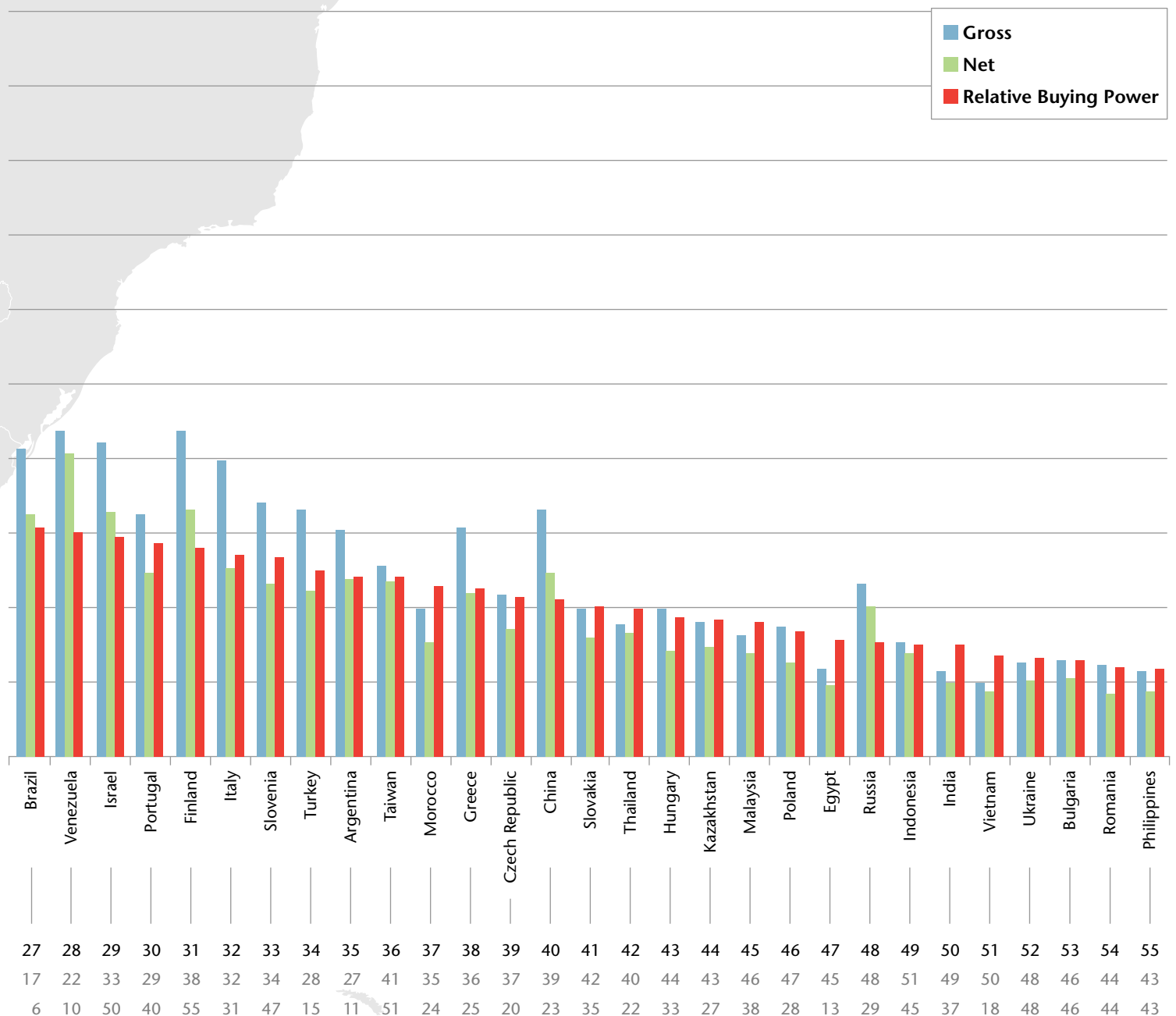
Buying power and seniority

Relative wealth – junior manager

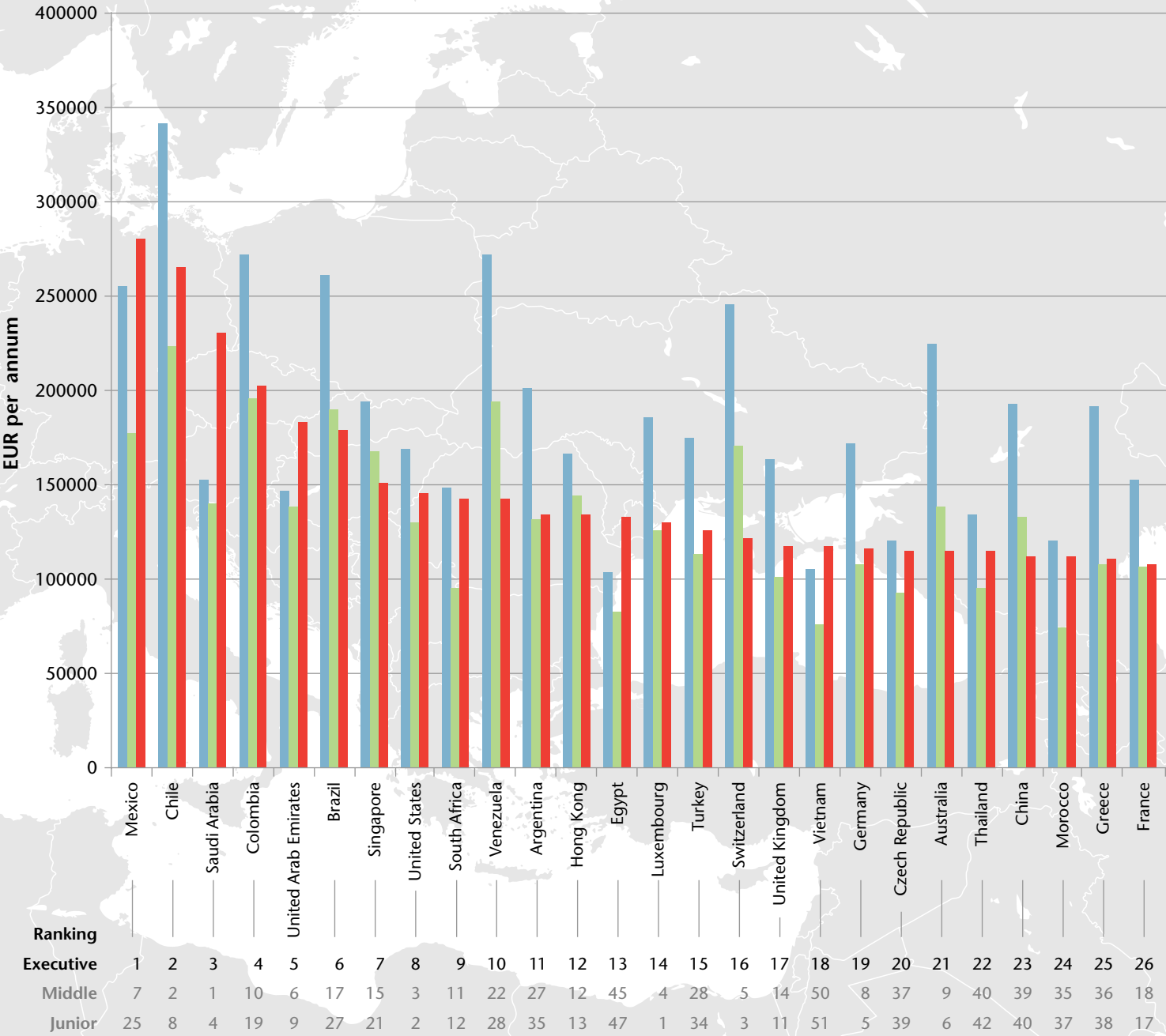


This section of the report looks at how relative buying powers vary at different levels of seniority. The chart below shows the RBPs for a junior manager (50 ECA points), as against the previous showing a middle manager (80 ECA points), and the following showing executive level pay (140 ECA points).

Between junior and middle managers, the biggest changes are in the South American countries of Argentina, Chile, Brazil, Venezuela and Colombia which, along with Singapore and Turkey, move the most up the chart. That is to say, with seniority in these countries, relative buying power increases at a faster rate than average.

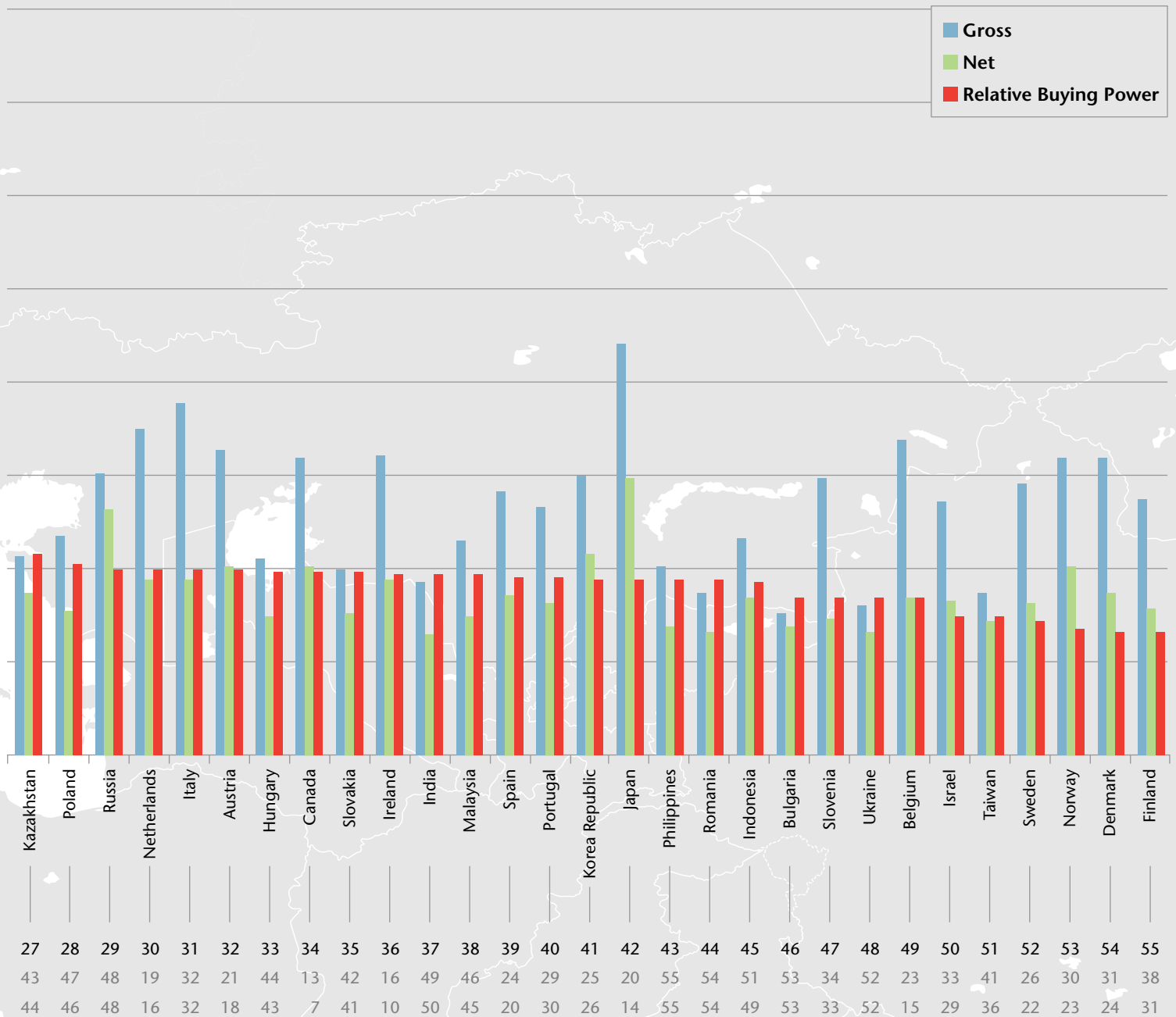


Relative wealth – executive



Looking at executive level positions the picture changes significantly compared with junior and middle managers. The relative rankings below the graph show this clearly with the average country moving by around 16 positions between junior manager and executive levels.

At executive level, half of the countries with the highest RBP are in Latin America and none is in Europe. In the bottom 10 of the rankings below seven are European and all of them have a lower buying power than a Swiss middle manager.



The picture of relative buying power varies significantly by seniority of the employee. The preceding charts show the enormous differences between the relative situation for junior managers (50 ECA points) and executive level positions (140 ECA points).

Mexican executives have the highest relative buying power while their junior managerial colleagues are in the middle of their comparative chart. In fact that is true for many countries ranked by relative buying power for executives; the top seven countries are all higher in the ranking for executive positions than for their junior manager positions. Four of those countries with the highest buying power at executive level are in South or Central America: Mexico, Chile, Colombia and Brazil. However, only one of them, Chile, is in the top 10 as ranked by relative wealth for junior manager.

While four of the 10 locations with the greatest relative buying power for junior managers are in Europe there are none in the 10 locations with greatest buying power for executive level positions. Paying local European salaries to all expatriates is no longer viable for all assignee nationalities or all levels of seniority.

The appearance of so many rich European countries towards the bottom of the rankings of buying power may be misleading in some respects. Many countries with the lowest relative buying power are there in part because of the high taxes, but those taxes also pay for many of the services such as healthcare, education and insurance, which have to be paid for after taxes in some of the countries towards the top of the rankings, such as the United States or Latin America, where social support is much lower.

Mexican senior executives earn almost nine times as much net as their junior manager colleagues. This enormous difference is common in many less developed nations and is partly explained by a shortage of suitable staff. The proportion of the workforce which is qualified, experienced and able to fill the jobs at the higher end of the management scale is small. This has the effect of pushing wages up at the top end of the market, hence increasing the multiple between employees.

Developed countries on the whole have a greater supply of labour which is both qualified and experienced to occupy these management positions. Because there is no labour shortage at this top end of the market the wages are suppressed, represented by a low wage ratio. In less developed countries, the jump in salary from junior manager to executive positions is greater than in the developed world. This is clearly shown in the chart overleaf. Using Gross Domestic Product (GDP) per person as a proxy for the development of a country you can clearly see a link between development and salary multiplier. The graph on the following page makes the comparison clear and also helps explain some of the differences already mentioned between the junior and executive levels. This difference in salary multiplier has a significant impact on global mobility practice.

Writing a robust policy

No-one has yet devised, or ever will devise, a single system for remunerating mobile employees, as all organisations have different business needs and mobility patterns.

The NSC is a big-picture pointer to the remuneration issues companies will encounter when designing or reviewing their mobility policy. Using it whilst thinking through some of the issues below (which is by no means an exhaustive list) will make your policy far more robust and pre-empt difficulties that may arise in future. Companies should consider possible expansion and development of the business so that certain scenarios are accounted for even if they are not a current consideration.

Why do you have mobile employees?

- ☐ Business need
- ☐ Career development
- ☐ Employee request

How many nationalities make up the mobile workforce?

From which countries do your mobile employees originate? And in which countries do they work?

What levels of seniority are required to be mobile?

Do you need to achieve equity...

- ☐ ...with employees in the home location?
- ☐ ...with local employees in the host location?
- ☐ ...with expatriate employees in the host location?
- ☐ ...with expatriate employees in any location?

What sort of mobility patterns exist within your organisation?

- ☐ International assignments (i.e. out and back)
- ☐ Permanent transfers or indefinite assignments
- ☐ Permanently mobile/career expats
- ☐ Hiring of expatriates locally

Are employees with a partner and/or family required to be mobile?

- ☐ Will their family join them on assignment?
- ☐ Is there a dual career issue to consider?

What happens at the end of an international assignment?

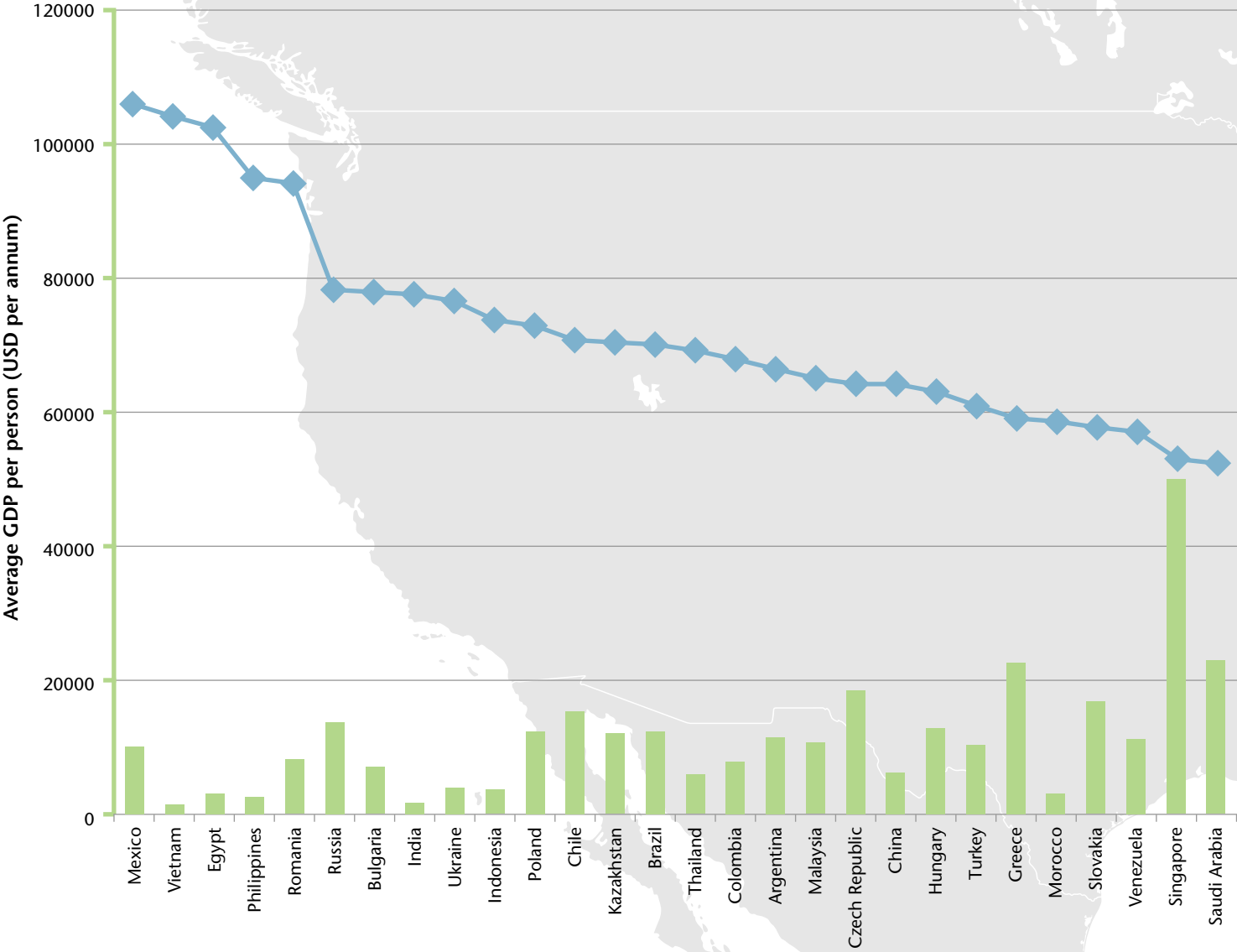
- ☐ Employee is repatriated
- ☐ Employee moves on to another assignment
- ☐ Employee is localised
- ☐ Employment is terminated

Are you at risk of losing mobile employees to competitors?

How much complexity can you realistically manage?

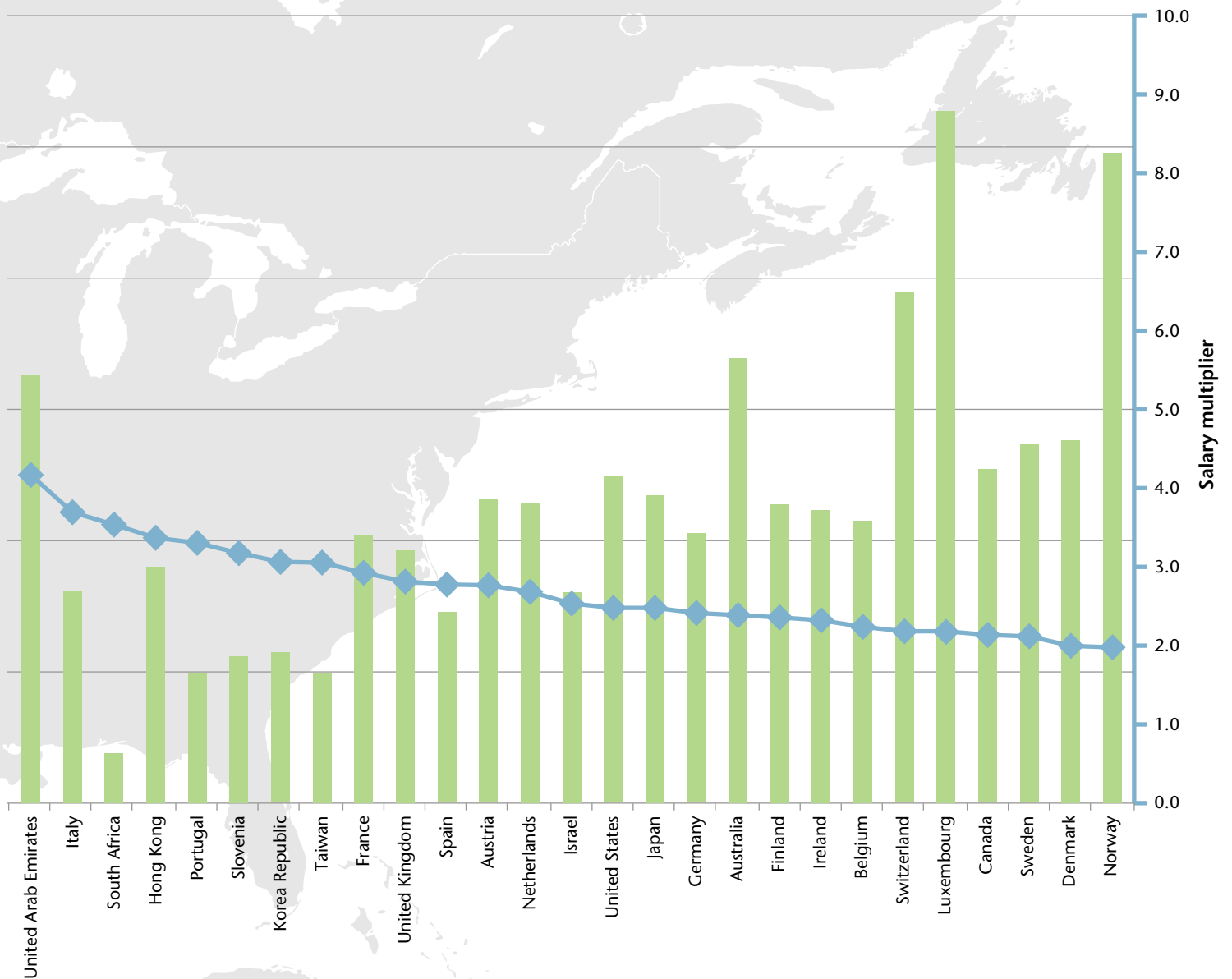
Do you need to strike a balance between incentivising mobility and controlling costs?

GDP vs. salary multiplier



This chart shows the inverse correlation between the disparity of pay between junior and executive levels (the 'salary multiplier') and the gross domestic product (GDP) of the country in which the salary is paid.

The blue line shows the difference between net salaries for junior managers and executives and the green columns show the average GDP per person. The countries with the highest multiplier tend to be towards the top of the executive buying power graph, but lower for junior positions. Meanwhile, those on the right of the graph, where the gap in salaries is smaller, will tend to be towards the top of the junior manager relative buying power graph, but lower in the executive graph.



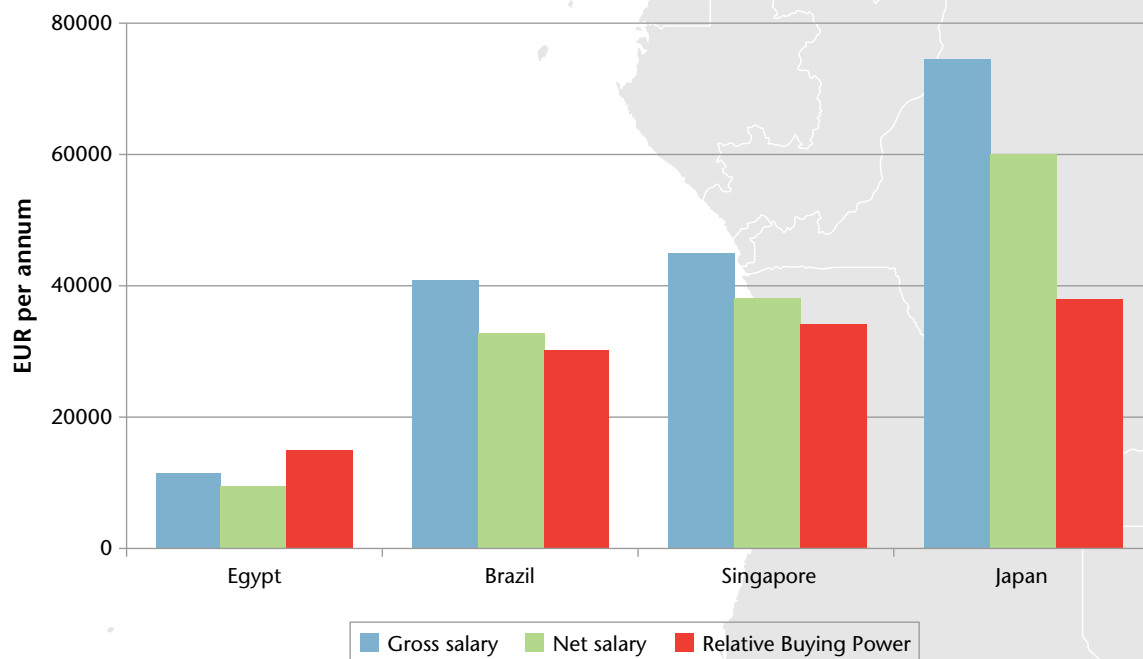
Effect on mobility

Multinational companies in developing countries are often forced to overcome the local management labour shortage by employing managers expatriated from other countries. This may even be cheaper than employing the in-demand local talent while also helping to up-skill local junior managers to eventually take their place.

The level of seniority will have a significant effect on the best choice of salary package for assignees. This is shown clearly if we look at a hypothetical Japanese company that has operations in Egypt, Brazil and Singapore. If they wish to bring new junior managers to work in the Japan office it is

not a problem to offer a Japanese local salary as all potential employees from overseas would be better off in terms of buying power as the chart below shows. However, if the company tried to do the same with their executive level employees their staff would be unlikely to agree to the move as they would feel worse off (as the chart opposite demonstrates). While gross salaries in Japan are high, the high cost of living means that the executive salary would not have the same buying power as it would have had in the home country. In the case of Egypt this is despite the fact that the net salary on offer in Japan is 80% higher than the home country equivalent.

Relative wealth – junior manager



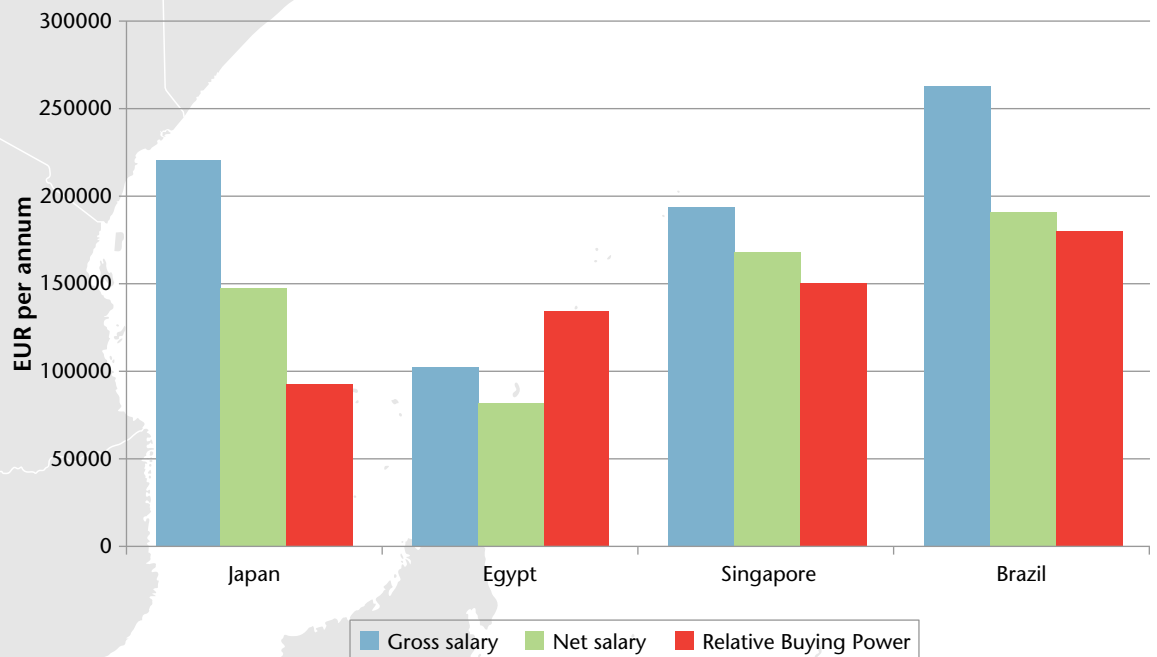
An effect of this difference is that talented people from developing countries will often move abroad when they are young to gain experience in developed countries. Salaries are high and when they return to their home country they find they can command higher salaries due to the high demand for experienced executives.

A further consequence of the high relative buying power for senior positions in many developing countries is that it makes them very expensive to expatriate. Understandably they want to retain their standard of living during any assignment, which can be very costly if moving to a more expensive country. ECA's cost of living data shows

that Japan is more than twice as expensive as Brazil. Providing a senior Brazilian with a salary which could maintain their very high RBP in expensive Japan would be very costly.

Countries where a host based salary system is most likely to succeed are likely to have a high relative buying power at all levels of seniority. This is true for example of the US, UAE, Singapore and Hong Kong which are all countries where host based salaries are particularly common. All of these countries are in similar relative positions in terms of buying power at all levels and they are all countries where the relative wealth is high compared to others in their region and in Europe.

Relative wealth – executive



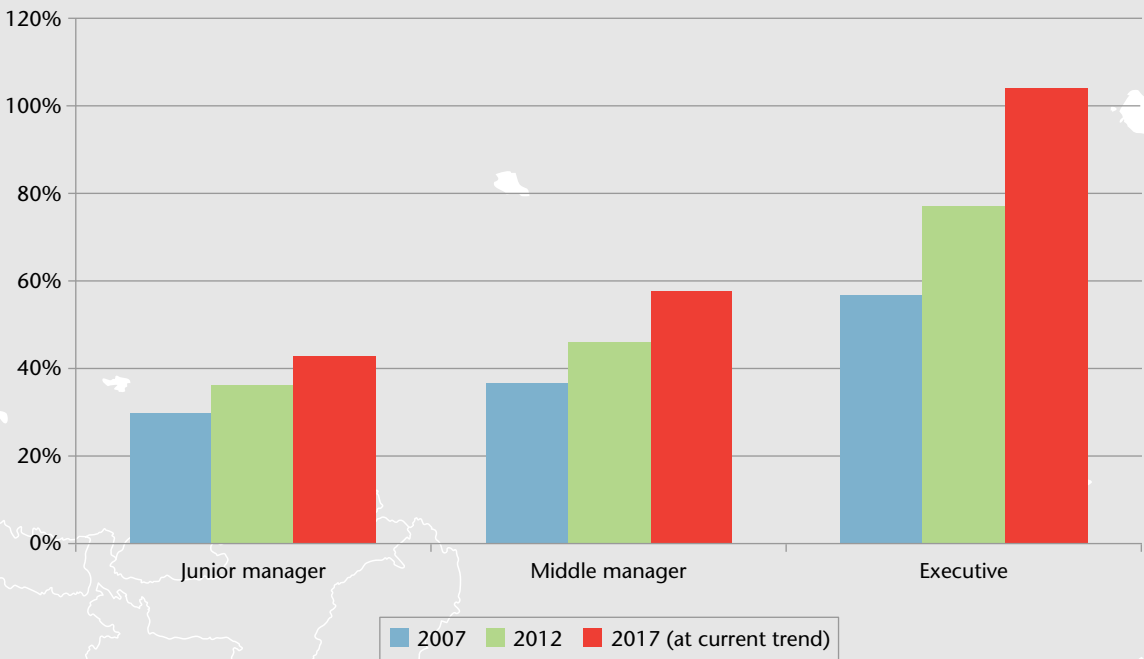
Five year trends

The mobility picture presented by this report is not static; as salaries, inflation and exchange rates change so do a company's mobility options.

As the chart below shows, in 2007 the buying power of an executive in China was 57% that of a similar level employee in the United States. Now it is over 75%. At junior manager level in 2007 an employee in China had a buying power of less

than a third of their US equivalent, now it is closer to 40%. With salary inflation in China running at around 8% per year according to ECA's Salary Trends Survey, but only 3% in the US, it is likely that this gap will continue to close. If the gap between US and Chinese buying power continues to close at the same rate, by 2017 Chinese executives will be better off than their US counterparts. This would make it difficult for US companies to offer local salaries to Chinese executives.

Chinese employee buying power as a percentage of US employees at same seniority



“If the gap between US and Chinese buying power continues to close at the same rate, by 2017 Chinese executives will be better off than their US counterparts”

Many companies are already likely to encounter difficulties expatriating workers from China to Europe on host country salaries. In fact, the buying power of a Chinese executive is already greater than their French, Italian, Spanish and Japanese counterparts, among others. Malaysia and India are also countries where executive-level pay affords increasing wealth. Executives' buying power there is greater than that in Spain and Japan, which was not the case five years ago.

There have been other dramatic changes in the past 5 years that have changed the mobility landscape dramatically. UK executives used to have a buying power around 25% higher than their Egyptian counterparts, making a local UK salary desirable for Egyptian assignees to the UK, for example. Now, however, the position is reversed and they would be more than 10% worse off on a UK local salary than if they remained in Egypt.

Not all changes have been in the developing world. The relative position of the UK and Australia has also changed significantly in the last five years. Australian middle managers are now slightly better off than their UK counterparts after a 10% swing. However, at the executive level, Australian RBP is now almost identical to that in the UK while five years ago it was less than 70% of it.

Companies with a policy of offering a local salary to nationals of other countries run the risk of circumstances changing to make their policy obsolete. It is therefore essential to monitor the mobility situation regularly using reports like the NSC just as a company would review their cost of living allowance on a regular basis.

About the authors



Steven Kilfedder
Manager, Cost of Living
and Remuneration Services

Steven joined ECA in 2008 after completing his Masters degree in International Studies from University of Sydney. After his undergraduate joint degree in Economics and Geography from University College London, Steven moved abroad to teach English as a second language in the Czech Republic. He also taught ESL and business skills courses for the British Council in Azerbaijan, Myanmar and Vietnam.

After joining ECA Steven first worked in the Location Ratings team, analysing the relative quality of life for expatriates in many of the countries he had recently lived and worked in. He then moved to the Remuneration department where he has been heavily involved in the expansion and redevelopment of the MyExpatriate Market Pay report. In addition to managing Remuneration, Steven now also manages the Cost of Living team, overseeing the production and publication of the data. He has also written several articles and delivered presentations on expatriate compensation and benefits issues.



Rebecca Darling
Head of Production

Rebecca is responsible for the production teams that research, analyse and publish the information forming ECA's core data offering, including cost of living, tax and social security, accommodation and benefits, location allowances and expatriate remuneration. In addition to ensuring timely and accurate publication of ECA's data, she also works on the development of new product features and portfolios.

Manager of Tax Services at ECA between 2002 and 2006, Rebecca then worked as a consultant at Ernst & Young before returning to ECA in 2008. During her time at Ernst & Young she gained extensive experience of cross-border tax treatment of share incentive schemes and managing the assignment lifecycle including calculating compensation, assignment letters, assignee briefings, vendor management, payroll and repatriation.

Rebecca has an MA in Natural Sciences from Queens' College, University of Cambridge and is a member of the ATT.

About this report

ECA International's National Salary Comparison Survey contains a 'snapshot' comparison of the relative wealth of managers in 55 countries.

By comparing local market rate salaries paid to managers on a gross and net basis and after having applied the relevant cost of living differentials, the resulting 'relative buying power' or 'relative wealth' is the most representative inter-country comparison of locally-employed managers' salaries. In terms of international mobility, it highlights the importance of establishing an appropriate remuneration package when moving an employee between any two locations and provides an easy-to-use guide to when and where it is or is not appropriate to transfer assignees on a local pay basis.

ECA points

ECA points are part of a job evaluation system that measures the influence, scope and responsibilities of a job. They can be used to correlate with other systems including Hay points. For further details, please contact us.

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Where stated, local salary information in this report has been compiled with reference to data provided by Towers Watson.

Towers Watson Data Services is a leading provider of compensation, benefits and employment practices information to the global employer community, compiling annual survey reports on pay, benefit and employment practices of local and multinational companies across all major industry sectors.

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For further information about Towers Watson: www.towerswatson.com

Using the NSC further

The survey results in this document have been calculated on a euro base, i.e. all salaries have been converted to euros and all cost of living indices have been stated relative to the cost of the shopping basket in Belgium.

Re-basing the data to different country bases will change the outcomes, as does looking at different levels of seniority as this document begins to illustrate.

ECA is able to compile the information using any country featured in this report as a base for ease of use, and can provide advice on formulating policy and salary systems to achieve your business objectives.

If you would like any help with interpreting and applying the data, or wish to view the results on an alternative base country, please contact us at eca.uk@eca-international.com or telephone +44 (0)20 7351 5000.

Other salary benchmarking tools available from ECA

ECA provides a number of surveys into salary provision for local and expatriate staff. In addition to providing exceptional insight into policy, practice and market rates, the surveys can form the basis of bespoke salary analysis for companies by our Consultancy team. For more information, please contact us.

MyExpatriate Market Pay Survey

ECA's unique MyExpatriate Pay Survey focuses on salaries and benefits for international assignees around the globe. The reports include detailed breakdowns of actual expatriates' assignment salaries and benefits packages as well as graphical comparisons enabling you to see where your organisation stands in this highly competitive field, both in relation to your own as well as other industry groups.

The survey will enable you to:

- Monitor market positions
- Establish remuneration policy
- Benchmark expatriate compensation and benefits packages
- View economic summaries for an indication of present business climate, predictions for future growth or upcoming problems
- View details of all expatriate salaries and benefits surveyed
- Match jobs accurately through job evaluation

Each report is individually designed to show you how the salary and benefits information you supplied compares with that of the other participating companies, representing over 10,000+ assignees across all countries.

The personalised MyExpatriate Market Pay reports feature:

- Actual salary comparison graphs and look-up tables
- Comparison of salaries within your sector using dynamic graphs
- Breakdown of policy and benefits provision on a country-specific basis
- Detailed benefits information on a job-by-job basis for total remuneration comparisons
- Local salary comparison graphs for several countries
- NEW: Listings now downloadable to excel in the results section of the online report. Simply click the "Download listings" button on the listings page.

This survey is conducted annually between July and September. Results are free to participants. For further details about this, and all of ECA's surveys, please go to www.eca-international.com > MyECA > Surveys

Salary Trends Survey

This survey contains information collected from multinational companies about actual and predicted salary increases for the current and forthcoming years. Including data analysis in the context of economic conditions (including price inflation), this survey is used by international companies for monitoring and benchmarking company salary levels in local markets around the world.

This survey is conducted in August and September every year and the results are free to participants. For further details about this, and all of ECA's surveys, please go to www.eca-international.com > MyECA > Surveys

Expatriate Salary Management Survey

Conducted biennially, this survey examines how different drivers affect salary management policy and charts developments in use of pay systems. Survey results are free to participants. For further details about this, and all of ECA's surveys, please go to www.eca-international.com > MyECA > Surveys

About ECA International (www.eca-international.com)

ECA is the world's leader in the development and provision of solutions for the management and assignment of employees around the world. Our highly skilled teams help to ensure that businesses' international assignments operate efficiently and cost-effectively.

Delivering data, expertise, systems and support in formats which suit its clients, ECA's offer includes a complete 'out-source' package of calculations, advice and services for companies with little international assignment management experience or resource; subscriptions to comprehensive online information and software systems for companies with larger requirements; and custom policy and system development projects for companies who manage thousands of international assignees around the world.

Accessing data and information

ECA's services can be accessed online through a subscription to ECA data or on an ad-hoc basis through the online shop at www.eca-international.com. Purchasers can download sample documents and calculations prior to completing any transaction.

Sample data, reports and calculations can be viewed free by registering to use the website.

Additionally, ECA can offer a consultancy service where we can provide a full support and advisory service to multinational clients.

Other data and services available from ECA

Registered users of ECA's website can access a number of reports and services online.

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Salary Trends Surveys	
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Cost of Living Reports	Location Allowances
Country Profiles	Short-term Allowances
Country Security Reports	Tax
Daily Rates	Exchange Rates
Expatriate Market Pay Reports	Inflation Rates
Labour Law Reports	
Location Ratings	
Salary Trends Surveys	
Social Security Reports	
Tax Reports	

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Surveys

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Further services available from ECA

ECA's world-class data and years of experience in the international assignment arena mean that it is perfectly placed to provide a broad range of solutions designed to your particular needs, including:

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- assignment costings
- individual salary calculations and assignment letters
- benchmarking surveys
- customised data
- system design and implementation
- standard and custom software, programs and applications.

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London

+44 (0)20 7351 5000

Hong Kong

+852 2121 2388

New York

+1 212 582 2333

Sydney

+61 (0)2 8923 5400



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