

cost of living

information services

The key to designing
accurate expatriate
compensation packages



If you help manage your company's expatriate program, ask yourself:

1

Just how cost effective is your expatriate management process?

2

Are you really solving your mobility issues by granting generous cost of living (COL) allowances?

3

Is your process transparent? Does your supplier give you all the information you need to justify your decisions?

4

Are your COL allowances based on prices gathered by your expatriates or others who fly in and out?

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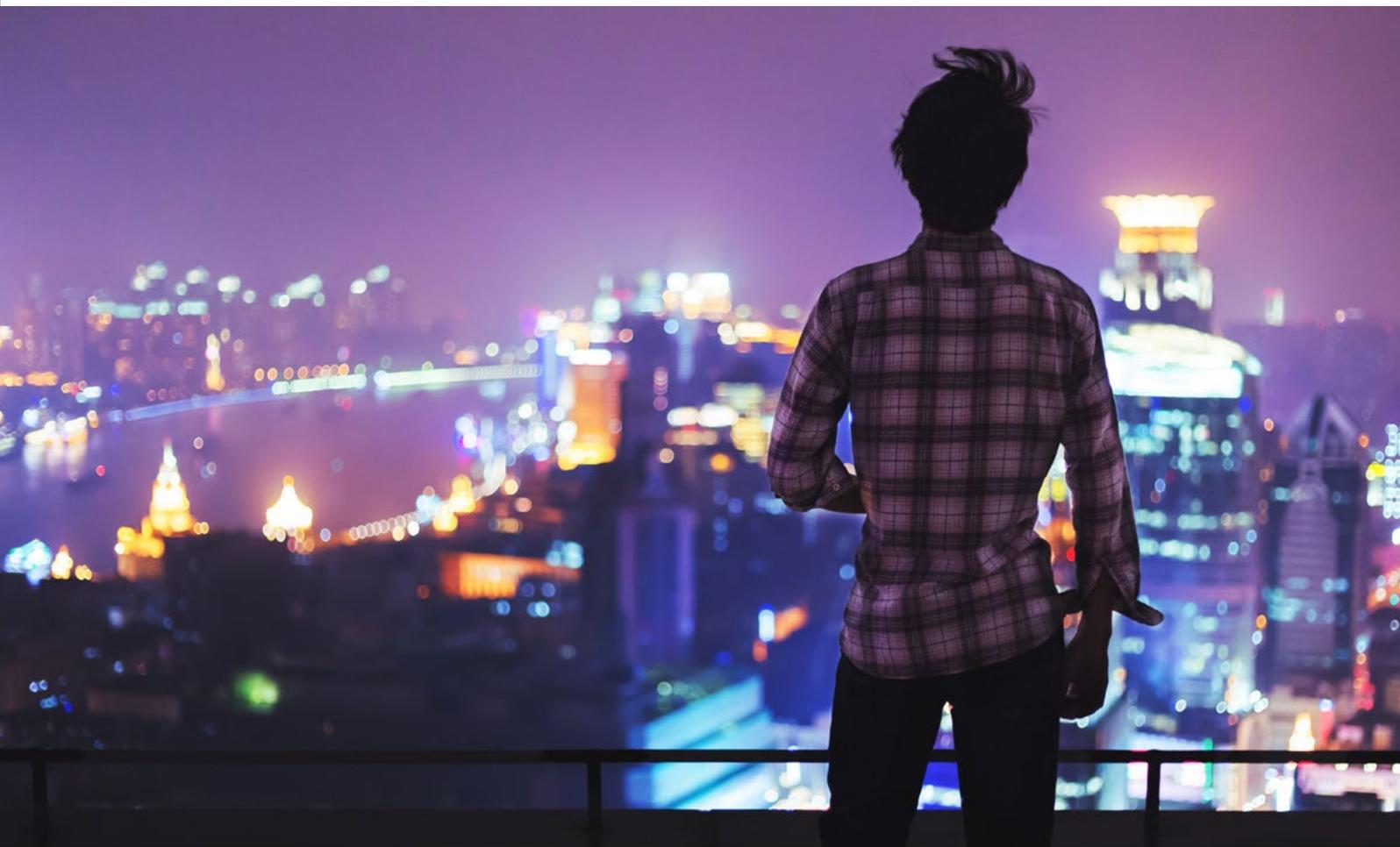
How do you keep your compensation approach consistent when transferring employees from developing countries where incomes are lower?

We have answers

To encourage mobility and manage your international assignment costs, you need precise information to calculate fair and consistent expatriate compensation packages. With offices in 42 countries and territories, Mercer brings you up-to-date and objective price information from more than 400 cities around the world.

Based on prices for more than 200 goods and services, our surveys are conducted by independent researchers in each location we cover. Carefully chosen vendors reflect only those outlets where your expatriates can buy goods and services of international quality.

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Key features and benefits

- A unique international basket of goods and services reflecting realistic spending habits established through years of extensive expatriate research
- Distinct cost of living (COL) indices for different types of expatriate shoppers
- Online calculators that allow you to use data for your specific needs
- Reasonable, realistic indices
- Full list of stores and sources where prices are collected
- Immediate estimation of the cost of living allowance (COLA) using our Cost of Living Allowance Calculators
- Current information, with locations updated twice per year by professional researchers
- More frequent updates for markets in flux
- Special cities surveyed on request
- Methodologies that let you determine competitive purchasing power for all your employees, wherever they are moving from

Mercer's cost of living information provides all the key elements you need to calculate COLAs as well as the supporting information required so that expatriates understand and accept the results.

Multinational approach

The Mercer multinational cost of living approach develops COL indices and differentials based on a blended international spending pattern. The methodology assumes a convergence of spending patterns among expatriates of companies employing a variety of assignees with complex assignment patterns and of many different nationalities. With weighting of goods and services the same for all locations, this approach compares prices of similar brands and from similar retail outlets in both the home and host cities.

Nationality-specific approach

The Mercer nationality-specific cost of living approach develops COL indices and differentials based on the unique spending patterns in a base (usually home or headquarters) country. By using different weights for each home country, it ensures that expatriates can maintain their expenditure patterns in their host locations.

This approach compares prices in the home country from a local-national perspective with prices in the host city from an expatriate perspective.

Our COL indices accommodate different shopping habits

- The reversible Mercer **Mean-to-Mean Index** is the best indicator of overall differences in prices between two locations because it compares the mean prices (average price of each item) in the base city with the mean prices in the host city.
- The **Mercer Efficient Index** applies to experienced shoppers in their home city, and compares the average of the low- and mid-level prices in the base city with mean prices in the host city.
- The **Mercer Convenience Index** compares the average of the low- and mid-level prices in the base city with the highest prices in the host city. It applies to newcomers in the location, allowing expatriates to purchase food, beverages, domestic supplies, personal care, sports and leisure items at the most expensive or convenience stores.
- The **Mercer Expatriate Index** compares average prices at retail outlets frequented by locals in the home location with average prices at retail outlets frequented by expatriates in the assignment location. It's designed to preserve the home-country lifestyle in the assignment location and requires little or no adaptation to local outlets or brands.
- The **Mercer EPI (Efficient Purchaser Index)** compares average prices at retail outlets frequented by locals in the home location with average prices in the assignment location, based on a combination of international and local/regional brands and outlets. Some adaptation is necessary for an efficient purchasing behavior.
- The **Mercer HIPI (High-Income Purchaser Index)** assumes purchasing behavior of high-income expatriates from developing home countries is more similar to that of expatriates (rather than locals) in that location.



List of stores and sources

Providing a full list of stores and sources supporting the COL index ensures that our process is completely transparent.

Home-country spendable income tables

The **Spendable Income Tables** report the typical amount an employee spends on goods and services in his/her home country. Used in conjunction with our COL indices, they support you in determining appropriate cost of living allowances.

These reality-based tables are based on national consumer expenditure statistics for major countries. The tables are broken down by income level and family size, from single employees to couples with four children.

International spendable income tables: Compensating employees from low-income countries

If the spendable income portion of a salary is too small, no index can adjust it to make it sufficiently competitive.

To address this problem, Mercer has developed **International Spendable Income Tables**, which allow companies to substitute non-competitive home-country spendable income with benchmark spendable income levels. The tables let you develop competitive spendable incomes for your employees wherever they come from, while allowing you to keep a consistent "home country" compensation approach.

Home-country housing norms tables

These tables provide the hypothetical amounts that employees normally spend on housing in their home country and can help you determine the employee's contribution towards housing costs in the host country.

Expatriate accommodation cost tables

Mercer's **Host City Accommodation Tables** help you determine the allowance for your employees when transferred abroad. Monthly rental costs are provided for each host location.

- **Accommodation type:** Monthly rental costs for different-sized apartments and houses, furnished and unfurnished, in a range of areas.
- **Number of bedrooms:** Expatriates' monthly rental costs for an apartment or house with one to five bedrooms.

International education information

Mercer provides accurate education information for schools, including American, English, French, German, international and Japanese, where available.



These reality-based tables are based on national consumer expenditure statistics for major countries



Mercer advisory services

Mercer's Global Mobility consultants are available to advise you as you strive to manage your employees on international assignments, including program design, benchmarking, process review, partial outsourcing, localization and benefits management.

For further information, please contact your local Mercer office or visit our website at:
mobilityexchange.mercer.com/cost-of-living



