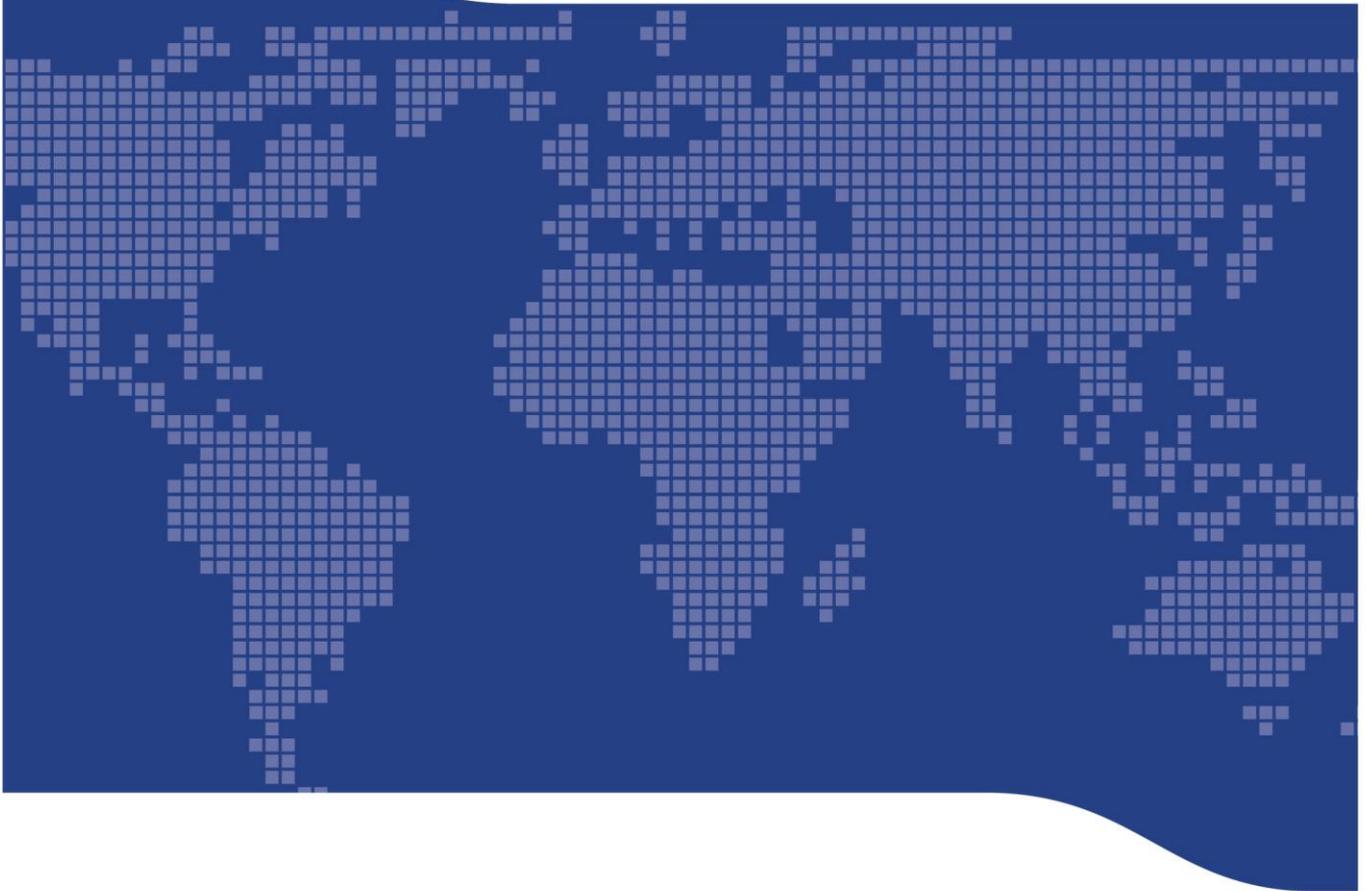




Survey on Local-Plus Packages for Expatriates in China

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Introduction

The use of a 'local-plus' approach to compensating expatriates in mainland China continues to be of interest to companies. A "local-plus" remuneration approach is defined as one in which expatriate employees are paid according to the local salary program, plus provided additional compensation elements such as transportation, housing, dependents' education, etc., that are not typically available to local nationals, because of the expatriate's home-country ties, unique status, and other related factors.

ORC invited select multinational companies to participate in this survey of local-plus packages for expatriate employees in China. This survey contains responses from thirty-five companies, fifteen of which offer a local-plus package option to foreign employees working in China, twenty of which do not.

Terminology

In the data tables that display survey results, the term "N" refers to the number of respondents that answered each question. Because every question does not pertain to every company, the "N" varies from question to question. Respondents were able to select more than one answer for certain questions, which resulted in percentage totals that equal more than 100 percent.

The term "Assignee" is used in this report to describe an expatriate who is assigned to China from an overseas location (either the employee's home country, the country of the company's Headquarters, or some other country).

The term "Direct or Locally-Hired Employee" is used to describe an expatriate who has either been hired locally in China, or hired from overseas but directly for employment in China rather than being transferred by an existing overseas employer.

The Term "Expatriate" is used in the broadest sense, to encompass all foreign employees working in China, regardless of whether they are an assignee or direct or locally-hired employee.

Participating Companies

ANZ

Arla Foods amba

BHP Billiton

Black & Veatch

British Sugar Plc

CA Ltd

Cargill Inc.

CH2M HILL Constructors (Shanghai) Co. Ltd.

CIGNA

Credit Suisse

DBS Bank

DuPont

Federal Express

General Motors

Hanesbrands Inc.

HSBC

International Paper

Johnson & Johnson

KBR

Kudelski Group

Mars Incorporated

McDonald's Asia Pacific/Middle East/Africa

McKinsey & Company

Merck KGaA

Oracle

PepsiCo International

Philips Electronics Hong Kong Limited

Shell

Standard Chartered Bank

Syngenta China

The Capital Group Companies

The Royal Bank of Scotland

Tyco Healthcare Pte Ltd (Covidien)

Vorwerk & Co. KG

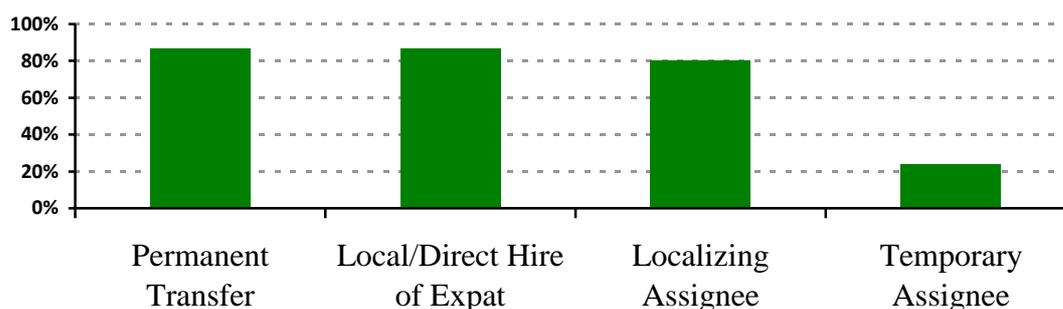
Wellington Management

Executive Summary/Key Findings

China is the world’s fastest growing economy, and as such, opportunities abound for both companies and their employees in China alike. Unfortunately, China’s domestic labor market is not able to meet all of the demand for certain skilled professional and managerial positions that companies need. Thus, companies turn to foreigners to help fill these positions. As companies continue to employ foreign talent to work in China, they are looking for alternatives to the costly traditional expatriate assignment package. However, China poses several challenges to using a pure local approach to compensating expatriates including the country’s high taxes, inability for foreigners to participate in social, housing and medical schemes, etc. Therefore, organizations are increasingly exploring the use of “local plus” terms and conditions for many of their expatriate staff.

The local-plus approach is most commonly applied for situations where an existing assignee remains in the assignment location permanently or indefinitely, for local/direct hiring of expatriates, and for permanent transfers. It is not commonly used for limited-term international assignments (see Figure 1). In this latter situation, our research indicates that the most prevalent approach continues to be the “balance sheet” or “home-country salary-build up” approach.

Figure 1: When is the Local-plus Package Provided?



It is interesting to note that the use of the local-plus approach is less common in China by comparison to two other locations in the Asia Pacific region with a high concentration of expatriates: Singapore and Hong Kong. Sixty-seven percent of companies recently polled in Singapore utilize the local-plus approach. In Hong Kong, 50% of companies utilize this approach, with a number of companies also offering just a pure local package for their expatriate staff due to Hong Kong’s high salary levels and low personal income taxes. In contrast, in mainland China the percentage using a local-plus approach is 43%. The primary reason for the discrepancy is that in China foreigners are most often paid on a “full” or “modified” expatriate pay package, due to the China-specific challenges related to using a more localized approach.

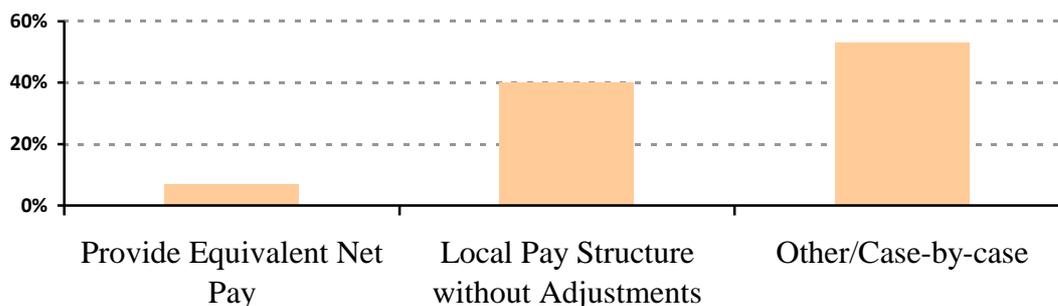
In general, our findings suggest that while the idea of a local-plus approach to compensating expatriates in China is popular, in actuality it is still very much a work-in-progress for most companies, and much of what is offered is determined on a case-by-case basis. Another key finding is that the local-plus approach in China is often more ‘plus’ than ‘local’, i.e. local-plus packages are oftentimes merely a repackaging of many of the standard expatriate assignment package elements.

Base Salary Determination and Pay Delivery Approach

There are significant differences in the approaches being utilized for the determination of base salaries for expatriates on local-plus packages. Forty percent of companies surveyed said they

will pay the employee based on the local salary structure. As the premise of the traditional local-plus approach is a locally based salary as the basis from which the package is built, this is a low percentage. Most companies determine the base salary on either a case-by-case basis or will apply another approach, such as using a special salary structure just for their China-based local-plus employees or using an Asia Pacific regional structure (see Figure 2).

Figure 2: Determination of Base Salary for "Local-Plus" Expatriates in China



An interesting finding from this study is that while the approach is coined as a local-plus approach by the survey participants, the remuneration is oftentimes not delivered entirely in local currency (CNY). About half of the participating companies will deliver the pay to their “local-plus” expatriates entirely in CNY, whereas 40% will split the pay between the CNY and another currency, and 7% will pay entirely in a third currency (i.e. HKD).

Housing

The most common ‘plus’ element offered to expatriates on local-plus packages is housing assistance, with 87% of companies offering some form of housing assistance. The level of housing assistance is fairly evenly mixed as to those who provide support that is intended to cover the full cost of housing and those whose intent is to provide partial support (See Figure 3). Companies most commonly provide housing support as a cash allowance in order to avoid the additional administration of company-provided housing. This practice is more prevalent in China, as compared to other Asia Pacific locations such as Singapore, due to the fact that cash allowances for housing can receive the same tax concessions as if it were provided as a benefit-in-kind, if the cash allowance is structured as a “rental reimbursement”.

Figure 3: Housing Assistance Practices for "Local-Plus" Expatriates in China



About three-quarters of companies offer a housing allowance/budget that is approximately 25 – 50% below the allowance/budget offered under their “full” expatriate package for limited-duration assignments. In addition, one-third of companies surveyed will phase-out their housing support. The typical phase-out period is a graduated step-down in the allowance over a three-to-five year period.

Dependent Education

Another popular ‘plus’ element that companies extend to expatriates is assistance towards the costs of schooling for their dependent children. Just over 73% of companies will provide some form of assistance, usually covering registration and tuition and fees at international schools. In addition, some companies (20%) will cover the costs of boarding school if the schools in the city of the expatriate’s employment are deemed to be inadequate or if international schools are unavailable.

While most companies (60%) will continue to provide dependent education throughout the employment period, 40% of companies will phase out the schooling benefit, usually using a step-down approach over a 2-7 year period.

Tax Assistance

Approximately one-third of the companies surveyed offer some form of tax equalization or tax subsidy to their assignees. Companies may feel compelled to do so as China’s taxation levels are high as compared to other popular expatriate destinations in the Asia Pacific region such as Singapore and Hong Kong.

Besides assistance with the financial obligation for China tax, 60% of companies will offer tax filing assistance, either via a one-time briefing during the first year, or filing tax returns on behalf of the assignee. Just under half of the companies surveyed will not phase out this tax filing assistance during the duration of the employment. This is due to the monthly tax filing requirements in China being an undue administrative burden on the foreign employee.

Pension Provision

One of the most significant issues for expatriates in China is the inability of foreign nationals to participate in the state-sponsored pension plan, making retirement funding a challenge for companies employing foreigners on local or local-plus packages. Most companies will place the

employee in a company-sponsored plan, or continue participation or enroll the assignee in a home-country pension plan, where possible. A handful of companies will pay cash-in-lieu of a formal retirement program, whereas 13% will not provide any form of pension provision to their expatriates on local-plus terms and conditions in China.

Home Leave

When extending a local-plus package to expatriates in China, the assumption is that the designated “home” is now China. One might think that the provision of home leave for these expatriates would no longer be offered. However, approximately 44% of companies are still offering a home leave provision to their expatriates in China on local-plus packages. Perhaps companies offer the home leave as an incentive since China is still considered a “hardship location” by many. And since foreigners are taxed on their worldwide income after 5 years of continuous residence in China, “home leave” trips can also be used to create a break in residency.

Transportation Assistance

Just over half of respondents will provide a company car or car allowance as a component in their local-plus package in China. Furthermore, 50% of the companies offering a car or car allowance offer the same level of transportation assistance offered to their expatriates on their “full” expatriate assignment package. For those that peg it to the same level, three-quarters will also cover the cost of a car and driver.

Medical Assistance

Medical assistance is another area of concern for expatriates in China. Expatriates are not allowed to participate in the Chinese state-sponsored medical insurance scheme, and the quality of care is suspect at many local healthcare institutions.

In recognition of these challenges, most companies (93.3%) provide insurance which will cover costs of receiving an enhanced level of care. Of those providing this additional insurance, 79% will provide a level of coverage, which is sufficient to meet the higher costs incurred at internationally run medical centers (i.e. International SOS), whereas 21% will only cover costs incurred at a VIP/foreigner ward of Chinese-run hospitals.

In addition to providing in-patient and out-patient insurance coverage, most companies (86%) will also provide medical emergency evacuation coverage.

Relocation Assistance

Relocation assistance oftentimes is dependent on the nature of the move. For example, for assignees that localize in China, a shipment of their remaining home-based goods may be provided. For foreigners residing outside of China that accept a contract in China on local-plus terms and conditions, the shipment policy will vary based on whether the nature of the move is permanent or more temporary in nature.

Question-by-Question Analysis

General

Question 1

a) Does your company offer local-plus packages to expatriates in China?

42.9%	Yes
57.1%	No
35	= N (Total respondents)

b) If "No", which of the following best describes why your company does not offer a local-plus option?

90.0%	We offer only a "full" or home-based salary build-up package to expatriates in China
0.0%	Expatriates are accepting a purely local package, comparable to that offered to Chinese nationals at the same job level and years of experience
5.0%	We do not have expatriates in China
5.0%	Other
20	= N (Total respondents)

c) If "Yes", under what circumstances does your company offer a local-plus package?

86.7%	When an expatriate is transferring permanently
80.0%	Local hire of expatriate employees regardless of national origin
6.7%	Local hire of expatriate employees originating from the Asia Pacific region
26.7%	International assignment of limited duration (i.e. 2-3 years), regardless of home origin
0.0%	International assignment of limited duration for assignees originating from the Asia Pacific region
80.0%	Localizing an employee that is already on an expatriate assignment in China
0.0%	Other
15	= N (Total respondents)

d) When localizing an employee already on an expatriate assignment in China, do you reference a formal localization policy?

92.3%	Yes
7.7%	No
13	= N (Total respondents)

If referencing a formal localization policy, the policy is:

50.0%	Global
21.4%	Regional
14.3%	China-specific
14.3%	Other
14	= N (Total respondents)

"Other" responses included:

- Non-formal global policy
- Currently developing a policy

Question 2

a) In addition to the mandatory local Chinese labour contract, does your company also provide an employment contract derived from an offshore entity?

33.3%	Yes
66.7%	No
15	= N (Total respondents)

b) Please explain your local-plus employment contract details:

- It is a local China employment contract issued by a China legal entity in RMB currency.
- We are just initiating moving expatriates to China. A lot of questions are still open, but we are using the Local Plus policy we currently have in place for other Asia Pac countries. Basically, we will provide salary and benefits competitive to the local market in China plus housing and educational assistance. We will also provide home leave for the first year on the assignment.
- Employed by US company for global pension purposes and to address tax exposure
- Details determined by local HR.
- Similar to local employees, based on Chinese labour law.

Pay Determination and Delivery

Question 3

a) How is the expatriate's local salary determined?

40.0%	Based on pay structure for local national employees, without adjustments
6.7%	Local salary protects employee's current net pay
26.7%	Determined on a case-by-case basis
26.7%	Other
15	= N (Total respondents)

"Other" results included:

- It is based on a company defined pay structure specially designed for Local Plus in China
- Local plus packages are offered to those with critical skills so they tend to be fairly senior staff and would usually have their salaries benchmarked to US peers.
- We currently use a mix of a regional pay scale for some of the indefinite transfers and case-by-case determination for local hire foreigners
- Based on our broadband salary scales, will review case-by-case as well to assess whether too far off from other employees or not

b) Is the payroll for your Chinese-based expatriates under your local-plus plan handled in China?

53.3%	Yes
46.7%	No
15	= N (Total respondents)

Please explain payroll arrangement:

- The payroll of a few employees is handled in Hong Kong
- We are in the process of getting these details. The thinking now is to process the payroll for the expatriates in China
- China does not have international payroll capability (for reporting and tax purposes) so administered by US payroll company
- Offshore to Kuala Lumpur
- Our payroll is managed offshore at our regional service centre in Manila. The actual payment is delivered from China.
- All hubbed out of HR Services Centre in Chennai

c) How does your company deliver local-plus remuneration in China?

53.3%	Pay is delivered entirely in CNY
26.7%	Pay is split between CNY and the expatriate's home currency
13.3%	Pay is split between CNY and a third currency
6.7%	Other
15	= N (Total respondents)

Pay is split between CNY and a third currency, please specify in which currency:

- Employee can choose currency, but because of link to US pension, USD is usually provided. However, will consider payment in other currency if mechanisms are in place to support it.

"Other" responses included:

- CNY if payroll is in China; HKD if payroll is in HK

d) Please enter any other comments you may have on Pay Determination and Delivery for expatriates on local-plus packages in China:

- We take into consideration the employee's home country gross base salary compa-ratio, home country net pay, and local plus salary structure when establishing local plus salary
- We are considering a couple of different scenarios. For expats hired in China or any of the Asia Pac countries, we would like to deliver pay entirely in China. For expats hired in the US we are considering a split payroll between US and China
- We have a very limited number of expats on local plus packages. These are usually limited to those with very critical skills and senior positions.
- Our intention is to outsource the payroll for a select group of executives so that there is more confidentiality.
- Most of our transferees are paid on a local China payroll. We are in the process of transferring payroll for those who are not currently on China payroll.
- Pay and benefit as per local terms, plus annual home leave and a one-time assignment allowance.
- Assignees are on a full expat package for a maximum of 3 years, afterwards they are put on a local-plus package
- In addition to salary, we provide up to 30% of monthly base pay with cap (capped at RMB 20,000/month for manager level, capped at RMB 30,000/month for director level above) as a Local Plus Allowance. Allowance can be used as employee sees fit but it is intended to cover potentially higher housing and schooling needs and the fact they cannot get government social insurance.

Delivery of Additional Remuneration Items

Question 4

a) How is each of the following additional remuneration items delivered to your expatriates on local-plus packages?

Dependent's Education Assistance

0.0%	Factored into salary
26.7%	Provided as a separate cash allowance
46.7%	Provided as a benefit-in-kind
26.7%	Not provided
15	= N (Total respondents)

Hardship Allowance

0.0%	Factored into salary
20.0%	Provided as a separate cash allowance
0.0%	Provided as a benefit-in-kind
80.0%	Not provided
15	= N (Total respondents)

Home Leave

0.0%	Factored into salary
6.2%	Provided as a separate cash allowance
37.5%	Provided as a benefit-in-kind
56.3%	Not provided
16	= N (Total respondents)

Housing Assistance

6.6%	Factored into salary
46.7%	Provided as a separate cash allowance
33.4%	Provided as a benefit-in-kind
13.3%	Not provided
15	= N (Total respondents)

Medical Insurance

0.0%	Factored into salary
13.3%	Provided as a separate cash allowance
80.0%	Provided as a benefit-in-kind
6.7%	Not provided
15	= N (Total respondents)

Mobility Allowance

0.0%	Factored into salary
26.7%	Provided as a separate cash allowance
0.0%	Provided as a benefit-in-kind
73.3%	Not provided
15	= N (Total respondents)

Transportation Assistance

0.0%	Factored into salary
13.3%	Provided as a separate cash allowance
40.0%	Provided as a benefit-in-kind
46.7%	Not provided
15	= N (Total respondents)

Other element, please specify:

- Repatriation Support in the first 5 years

0.0%	Factored into salary
0.0%	Provided as a separate cash allowance
100.0%	Provided as a benefit-in-kind
1	= N (Total respondents)

b) Please enter any other comments you may have on Delivery of Additional Remuneration Items for expatriates on local-plus packages in China:

- There are variations among individuals. Some employees are not provided with tax equalization.
- Education support is case by case. Tax assistance - usually just one year. Transportation and housing could be provided as a cash allowance, depending on situation.
- We use allowances to separate the base pay from total pay and therefore hope to reduce bonus and severance expense.

- For Local Hire Foreigners, they are provided children’s school fees and International Medical insurance. For expatriates transferring indefinitely, they are provided the following for the first 3 years of transfer (in theory):housing, car & driver, children’s school fees, International Medical insurance, International Pension plan, home leave, home & host tax preparation support. They are also on local pay with local target bonus and responsible for local tax except for the tax on expat benefits.
- We provide a car in China based on level of employee. If Local Plus employee meets the local policy for car benefit they will receive a car benefit.

Housing

Question 5

- a) Which statement best describes your company's practice regarding housing for expatriates on local-plus packages?

13.3%	Company provides no assistance towards housing costs
6.7%	Company pays full housing costs directly to the landlord and deducts monies from employee's pay as employee's contribution towards housing costs
26.7%	Company pays full housing costs directly to the landlord and does NOT deduct monies from employee's pay as employee's contribution towards housing costs
46.7%	Company provides cash housing allowance
0.0%	Housing expenses are included in the determination of the employee's local salary and are adjusted for subsequent rental increases in China residential housing market
6.7%	Housing expenses are included in the determination of the employee's local salary and are NOT adjusted for subsequent rental increases in China residential housing market
15	= N (Total respondents)

Company provides cash housing allowance:

28.6%	Intended to cover full costs of housing
71.4%	Intended to cover partial costs of housing
0.0%	Delivered as a percentage of base pay
7	= N (Total respondents)

Comments regarding the partial coverage of housing costs:

- Local plus employees receive a housing allowance as a percentage of base salary (13% for non-executives, 20% for executives), or as a % of the standard expatriate housing budget (50% for non-executives, 60% for executives), whichever is greater. The housing allowance set as a percentage of base salary follows the company policy for local national employees.
- We calculate what reasonable housing will cost and provide an allowance equal to approximately 80% of the cost, not including utilities
- Lump sum allowance is to cover all additional needs (housing, schooling, etc.). Lump sum is approximately 30% of base salary, capped at CNY 20,000/month for manager level and CNY 30,000/month for director level and above.

b) Does your company's housing allowance/budget for expatriates on local-plus packages differ as compared to that offered under your full expatriate assignment package?

66.7%	Yes, please explain the differences:
33.3%	No, follows the same budget guidelines as the full expatriate assignment package
12	= N (Total respondents)

Please explain the differences:

- Varies on a case-by-case basis
- 1st year at same budget for expatriates, then discount at 25% at each of following year
- Full Expatriate Package receives 100% of standard expatriate housing budget as a benefit-in-kind. Local Plus receives percentage of standard expatriate housing budget (50% for non-executives, 60% for executives) as a cash allowance.
- Local Plus hires don't have a housing norm deduction while full expatriate assignment do

- Full expatriate--Company pays full housing costs directly to the landlord and does not deduct monies from employee's pay as employee's contribution towards housing costs
- We tend towards providing housing benefit at the higher end of typical housing costs for local-nationals, rather than expat housing. Sometimes, this is computed at the cost of expatriate housing less a hypothetical housing norm to derive at the deliverable amount. There is some flexibility. Globally, we generally prefer to provide housing as a benefit-in-kind due to favourable tax considerations for the company and the employee.
- Full expatriate package provides housing budget to cover full costs of housing, whereas Local Plus employees receive lump sum payment to help cover additional costs of housing, schooling, etc.
- 60% of the full expat housing budget is provided for local plus packages

c) If your company contributes towards housing costs, does the contribution phase-out or continue throughout the duration of the local-plus employment?

33.3%	Phases out over time
66.7%	Remains constant
12	= N (Total respondents)

Please explain phase-out schedule (period and %):

- 25% each year
- 1/3 phase out in the 5th yr, another 1/3 phase out in the 6th yr, no more support starting from the 7th yr
- For the first 3 years (in theory)

d) Please provide any additional comments you may have on your Housing Policy for expatriates on local-plus packages in China:

- All expenses for gas, water, electricity, heating, telephone and other utilities are at the employee's responsibility. Taxes arising from the housing allowance are entirely the employee's responsibility. Official receipts of house rental invoices and the tenancy agreement are required for tax filing purpose / tax exemption, if applicable.
- There is usually a right to review the housing benefit after 2-3 years.
- Local hire are not provided housing but indefinite/permanent transfers are for the first 3 years of transfer (in theory).

Dependent Education

Question 6

a) Does your company contribute to the cost of dependent education at an international or private school for expatriates on local-plus packages?

40.0%	Yes, for all expatriates on local-plus packages
26.7%	Yes, for some expatriates on local-plus packages
6.7%	Yes, but only for non-native Mandarin Chinese speakers
26.7%	No
15	= N (Total respondents)

"Please explain" responses included:

- Case by case
- Depends on what each situation is. Citizenship or language ability of children may pre-disqualify them from local schooling. Tendency is to support fully or partially international schools.
- We provide two years of children's education assistance for our highest level transferees only.
- It's a 50% subsidy based on full expat package on tuition fees and registration fees only.

b) If "Yes", what percent and/or maximum amount of the following costs will the company pay or reimburse?

Registration

Percentage paid:

87.5	Average percent
100.0	Median percent
8	= N (Total respondents)

Tuition and Fees

Percentage paid:

88.9	Average percent
100.0	Median percent
9	= N (Total respondents)

Transportation to/from School

Percentage paid:

87.5	Average percent
100.0	Median percent
4	= N (Total respondents)

c) If your company contributes towards educational expenses listed in part b, does the contribution phase-out or continue throughout the duration of the local-plus employment?

40.0%	Phases out over time, please explain phase-out schedule (period and %):
60.0%	Remains constant
10	= N (Total respondents)

- 25% discount each year
- 1/3 phase out in the 5th yr, another 1/3 phase out in the 6th yr, no more support starting from the 7th yr
- We provide 100% coverage for two years only.

d) If schools are not available or are not adequate in Chinese cities where you have expatriates on local-plus packages, does your company pay for the dependent education at a boarding school?

13.3%	Yes, company reimburses all reasonable costs
6.7%	Yes, company reimburses costs up to a set limit
80.0%	No
15	= N (Total respondents)

e) Please provide any additional comments you may have on your Dependent Education Policy for expatriates on local-plus packages in China:

- First option is always school system of the employee's home country if available, i.e. for Germans the German school in Shanghai or for French the French school. Only if this is not available then another international school is provided.
- On boarding school support - we have not encountered any real life cases. The employee will have to be extremely special for us to do this although we do support this for full expats.

Local Language Training Assistance

Question 7

a) Does your company provide Mandarin Chinese language lessons to expatriates on local-plus packages?

0.0%	Yes, for employee only
6.7%	Yes, for employee and spouse only
13.3%	Yes, for employee, spouse and children
80.0%	No
15	= N (Total respondents)

For employee and spouse only, please explain the level and type of coverage provided:

- For indefinite/permanent transfers only for the first 3 years of transfer.

For employee, spouse and children, please explain the level and type of coverage provided:

- For a basic understanding, i.e. before they relocate, 4 weeks intensive language course is offered and then offered classes locally once they arrive in China. This varies very much on the interest of the family - no need to set a ceiling yet
- For the highest level transferees and their family members, there are no caps on the amount spent for language lessons. For all other levels of assignees: - cap for transferees themselves: RMB 15,000 or 100 hours, whichever comes first. - Cap for family members of transferees: RMB 10,000 per person.

b) Please enter any additional comments you may have on Local Language Training Assistance for expatriates on local-plus packages in China:

- This has not been an issue with our local plus cohort

Tax and Filing Assistance

Question 8

a) Does your company provide tax assistance to expatriates on local-plus packages?

36.4%	Yes
63.6%	No
11	= N (Total respondents)

Tax subsidy, please explain:

37.5%	Tax equalization - Employee pays no more or no less than assumed home-country tax on base salary and bonus
12.5%	Tax protection - Company protects employee on any excess tax over assumed home-country tax on base salary and bonus
50.0%	Tax subsidy
8	= N (Total respondents)

b) If your company provides tax assistance, does the support phase-out or continue throughout the duration of the local-plus employment?

37.5%	Phases out over time
62.5%	Remains constant
8	= N (Total respondents)

Please explain phase-out schedule (period and %):

- Phased out 1/3 in the 5th yr and another 1/3 in the 6th yr. No more support starting from the 7th yr.
- Depending on the package, tendency is for company to only pay for tax filing assistance for one year. Tax protection very limited cases and equalization - even less so.
- For the first 3 years (in theory)

c) Does your company extend filing assistance (engagement of tax consultant to assist in tax filing, the employee remains responsible for tax payment) to expatriates on local-plus packages? Please select all that apply.)

26.7%	Yes, initial consultation
60.0%	Yes, host country tax returns
33.3%	Yes, home country tax returns, when required
0.0%	Yes, other
40.0%	No
15	= N (Total respondents)

d) If your company extends tax filing assistance, does the support phase-out or continue throughout the duration of the local-plus employment?

55.6%	Phases out over time
44.4%	Remains constant
9	= N (Total respondents)

Please explain phase-out schedule (period and %):

- Eliminated after the first year of assignment, except for US nationals who continue to receive tax assistance until the assignment is over
- One year
- For the first 3 years (in theory)
- Provide tax filing assistance for a maximum of 3 years
- 2 years assistance only.

e) Please enter any other comments you may have on Tax and Filing Assistance for expatriates on local-plus packages in China:

- Some employees are not provided with tax equalization
- If the employee is from the US, we would tax equalize them. For expats from other countries, we will provide tax assistance for relocation related expenses

- Generally, where allowances are provided as part of the package, they are not tax protected to avoid gross ups. For "full expatriates" the package includes company provided housing, school fees, etc. and these are tax protected. In the local plus package, nothing is tax protected.

Pension Provision

Question 9

- a) As non mainland-PRC nationals are not eligible to participate in the state-sponsored social-security pension plan, which statement best describes your pension policy for expatriates on local plus packages?

40.0%	Maintained in home country pension, where feasible
53.3%	Placed into another company-sponsored pension plan
26.7%	Paid addition cash in lieu of company-sponsored pension plan
0.0%	Other, please specify:
13.3%	No pension plan is provided to expatriates on local-plus packages
15	= N (Total respondents)

Placed into another company-sponsored pension plan, please explain:

- Hong Kong Pension Plan
- Local Plus employees are placed into a Hong Kong-based pension scheme
- If home country pension plan is not possible, we could place the local plus employee in our Third Country National pension plan administered in the US
- Depending on job level or grade, 5 or 10 percent of employee's total target cash is contributed in a Swiss retirement savings plan. Taxes are borne by the company
- We have a US based pension plan
- We use a couple of international pension schemes for locally-hired foreigners and indefinite/permanent transferees.

- We have a company profit-sharing retirement plan - it is a global plan used for all transferees except for when participation in the host country pension plan is mandatory.
- We recently launched a company sponsored pension plan for all China employees. Local Plus employees are eligible to participate in the plan.

Paid addition cash in lieu of company-sponsored pension plan, please describe formula for additional cash payment:

- HKD1,500 per month
- Provided allowance equal to pension contribution for local employees.
- Gratuity 15% of Annual Base salary
- If participation in the home country plan is not feasible, cash in lieu of home-country pension plan participation will be considered.

Home Leave Entitlement

Question 10

a) Does your company provide home leave to expatriates on local-plus packages?

43.8%	Yes
56.3%	No
16	= N (Total respondents)

b) If "Yes", is the local-plus expatriate home leave policy the same as your "full" expatriate policy provision?

62.5%	Yes
37.5%	No
8	= N (Total respondents)

Please explain the differences as compared to your "full" expatriate policy provision:

- For the local plus employees, home leave is offered for the first year only
- Case by case

c) If your company extends a home leave entitlement, does the support phase-out or continue throughout the duration of the local-plus employment?

42.9%	Phases out over time
57.1%	Remains constant
7	= N (Total respondents)

d) Please enter any other comments you may have on your Home Leave Entitlement Policy for expatriates on local-plus packages in China:

- If we are localizing an existing expatriate, our recommendation in the policy is to allow 1 final home leave trip to settle personal matters.
- Although we generally do not provide home leave to expatriates on local-plus packages, we will make exceptions and provide some assistance if the employee has children remaining at home and they thus need to go home once a year.

Transportation Assistance

Question 11

a) Does your company provide a car or transportation assistance to expatriates on local-plus packages?

53.3%	Yes
46.7%	No
15	= N (Total respondents)

b) If "Yes", is the local-plus expatriate transportation policy the same as your local national employee policy provision?

62.5%	Yes
37.5%	No
8	= N (Total respondents)

c) If "Yes", is the local-plus expatriate transportation policy the same as your "full" expatriate policy provision?

50.0%	Yes
50.0%	No
8	= N (Total respondents)

d) If "Yes", which of the following does your company offer to expatriates on local-plus packages?

75.0%	Company car and driver
25.0%	Company car only
4	= N (Total respondents)

e) Please enter any other comments you may have on Transportation Assistance for expatriates on local-plus packages in China:

- Some employees receive a transportation allowance
- Depending on the expat situation, we will evaluate the driver provision
- If they are at the level where local employees at that level get a car, then they get a car too. Some may choose a transport allowance instead.
- We generally also provide a driver, especially if the employee and family do not read or speak the local language. If they do drive, they must have a local driver's license.
- Car benefit is per local policy based on job level of employee in China. So as a local employee they would be entitled to car benefit if they are eligible.

Medical Insurance

Question 12

- a) In recognition of the fact that foreigners don't qualify for state-sponsored medical coverage and quality health care in China is not prevalent, does your company provide inpatient and/or outpatient medical insurance to expatriates on local-plus packages that differs from the medical insurance provisions provided to local national employees?

20.0%	Yes, for care at special foreigner/VIP departments of Chinese hospitals
73.3%	Yes, for care at privately run, foreign invested healthcare facilities (i.e., International SOS)
6.7%	No
15	= N (Total respondents)

- b) Does your company provide emergency medical evacuation coverage for expatriates on local-plus packages?

85.7%	Yes
14.3%	No
14	= N (Total respondents)

- c) Please enter any other comments you may have on Medical Insurance for expatriates on local-plus packages in China:

- We put them on the HK medical plan
- The medical insurance plan for local plus is a 24-hour world-wide coverage insurance plan (via a global insurance company) which provides out-patient and inpatient coverage for the employee and accompanying family members in China.
- We are looking into this right now to determine what the local plus will be
- Until such time that China has a local plan that would suit foreigners, they can be placed on our international health care program that is provided to all expatriates.
- International AXA PPP is provided but it is quite unpopular with our expats.

Relocation Assistance

Question 13

a) Which of the following relocation support items differ in your expatriate local-plus packages as compared to the relocation assistance provided under your "full" expatriate package?

Percentage of companies indicating difference:

50.0%	Shipment of household goods
50.0%	One-time relocation allowance
30.0%	House search
50.0%	Temporary housing
30.0%	Cultural training
60.0%	Spousal assistance (job search fees, professional education, etc.)
40.0%	Home country housing sale assistance or home country lease cancellation assistance
40.0%	Loss of sale for cars in home country
10	= N (Total respondents)

Shipment of household goods - please explain the variance:

- Local Plus: there is a limit on the shipment capacity. Full Expat: there isn't any specified limit as long as the items are under the definition of household item and within Expatriation Policy
- No limit if permanent relocation
- Limitation is more strict on container and air shipment limits
- Up to 20 footer container 1 off for family of 4, subject to business approval

One-time relocation allowance - please explain the variance:

- Local Plus: 1 month gross base salary subject to a min. of USD 5,000 and max. USD 10,000 net Full Expat: Varies from 2.5% to 15% of home gross income depending on the type of accommodation.
- Smaller portion of monthly salary

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- A lump sum relocation allowance equal to 6 weeks of salary is provided for the indefinite/permanent transfers, whereas 2 weeks' salary is provided to those on regular expatriate assignments.
- Based on Annual salary. For full expats, it is a fixed amount

House search - please explain the variance:

- Local Plus: Employee takes full responsibility and property agency will be referred by the Company. Full Expat: Company takes full responsibility and house search will be supported by company appointed property agents.
- Not provided

Temporary housing - please explain the variance:

- Local Plus: Temporary accommodation is not applicable as housing allowance applies. Full Expat: Temporary accommodation is applicable.
- We expect local plus package holders to not need temporary housing but if they need it we provide for up to 30 days
- Not provided

Cultural training - please explain the variance:

- Local Plus : Cultural training is not provided Full Expat : Cultural training is provided
- Local plus packages do not provide this
- Not provided

Spousal assistance (job search fees, professional education, etc.) - please explain the variance:

- Local Plus: Spousal assistance is not provided. Full Expat: Spousal assistance is provided
- Not provided (3 companies)
- Generally not offered to local hires unless they are phasing out of an existing expat package in which case they could have availed of spousal assistance. This could be offered if requested - This is determined on a case by case basis.
- A permanent transfer to China would not get a spousal allowance per our global permanent transfer policy, so Local Plus would not get as well.

Home country housing sale assistance or home country lease cancellation assistance - please explain the variance:

- Not provided (3 companies)
- If those domestic programs cover the localization situation, then they can avail of them; otherwise no.

Loss of sale for cars in home country - please explain the variance:

- Local Plus: Loss of sale for cars in home country is not provided Full Expat: Loss of sale for cars in home country is provided
- Not provided (3 companies)
- Not provided per our permanent transfer policy.

b) Please enter any other comments you may have on Relocation Assistance for expatriates on local-plus packages in China:

- In terms of relocation assistance, we try our best to provide the same level of assistance as we offer those on limited-term expatriate assignments. If it is a one- time final move we tend to be more flexible.
- N/A, as all expats will be on a full expat contract before being localized. Expat hires within China don't receive any of the above