

**Global Pay Management and Delivery Strategy**  
**Atlanta Area Compensation Association**

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**Why are we talking about “global” compensation management?**  
 There are significant complexities and challenges that come with managing rewards in multiple countries

Attraction Drivers	Rate of Economic Growth	Incompatible IT	Elements of Pay	Availability of Market Data
Language	Exchange Rate Changes	Local Talent Market Dynamics	Different State Provisions	Culture
Differing Approaches to Pay for Performance	Unique and Evolving Laws and Regulations	Retention and Turnover	Tax Implications	Car Allowances

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**Did you know...?**

Every country in the world has a unique set of laws and regulations that govern compensation and benefits, minimum wage, mandatory allowances, pension/retirement benefits, statutory holidays, paid time off, etc.

In many countries there is a statutorily mandated practice of providing a "13<sup>th</sup> Month" of base salary.

Market movement of compensation in the United States is generally less than 3% per year. In emerging markets like India the market movement can be as high as 20% in some cities.

Some countries, like China, do not have a unified labor market, which means that compensation competitiveness must be evaluated on a city-by-city basis.

In some countries a complex set of "allowances" (e.g., housing, transportation, education) are a common element of compensation and may even be higher than "base salaries."

**Local factors, such as culture and economy matter**

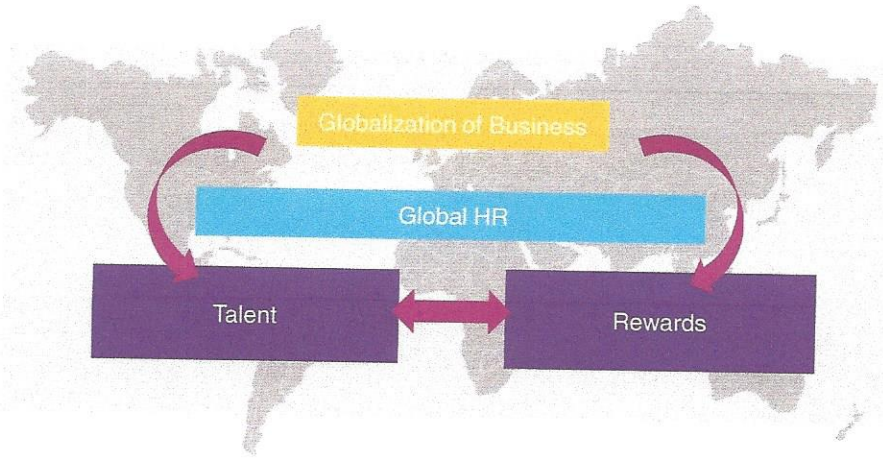
**Comparing top drivers of retention from employee viewpoint**

Rank	United States	India	Italy	Brazil
1	Base pay/salary	Base pay/salary	Career advancement opportunities	Base pay/salary
2	Career advancement opportunities	Job security	Physical work environment	Length of commute
3	Job security	Opportunities to advance in my career	Opportunities to learn new skills	Career advancement opportunities
4	Trust/Confidence in senior leadership	Retirement benefits	Trust/Confidence in senior leadership	Physical work environment
5	Opportunities to learn new skills	Physical work environment	Ability to manage work-related stress	Relationship with supervisor/manager
6	Length of commute	Relationship with supervisor/manager	Short-term incentives (e.g., annual bonus)	Ability to manage work-related stress
7	Ability to manage work-related stress	Opportunities to learn new skills	Flexibility or choice in benefits	Job security

Source: Towers Watson 2016 Global Workforce Study



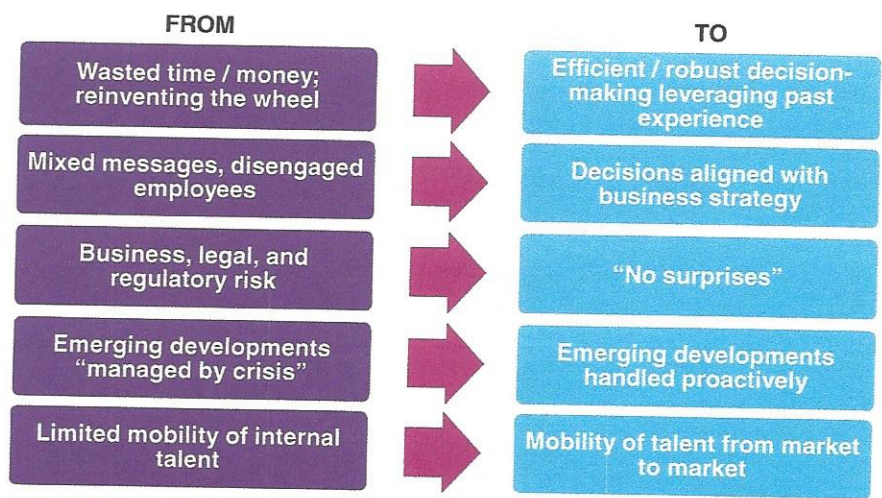
### How do companies manage the complexity? A range of practices based on business need



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### Goals of a global compensation strategy



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### What constitutes a global strategy?

Decision-making structures that enable an organization to mitigate the legal, financial and people risks associated with compensation and benefit programs around the world and to optimize opportunities for leveraging scale, best practice and shared platforms and processes

	Top Cadre	Other Executives	Managers/ Professionals	EXAMPLE Staff
Base Salary	Globally consistent	Global guidelines, local levels		Local levels
Annual Incentives	Globally consistent	Global design, local levels	Global guidelines, local design and levels	Local design and levels
Long-Term Incentives	Globally consistent	Global design, local levels	N/A	N/A
Perquisites	Global guidelines, local design and levels			N/A
Retirement	Global guidelines, local design and levels			Local design and levels
Other Benefits	Global guidelines, local design and levels			Local design and levels

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### Balancing global consistency with local competitiveness

A practical solution for short-term incentives

- While short-term incentives are common across the globe, eligibility and the level of at-risk pay varies from country to country

Career Level	Australia	China	Germany	India	UK	EXAMPLE US
10	20%	25%	25%	20%	25%	30%
9	15%	20%	20%	18%	20%	25%
8	15%	20%	15%	15%	20%	20%
7	12%	15%	15%	12%	15%	15%
6	10%	15%	12%	8%	5%	10%
5	10%	15%	10%	5%	5%	10%
4	5%	15%	5%	5%	5%	5%
3	5%	10%	5%	5%	5%	5%
1 & 2	N/A	10%	N/A	5%	N/A	N/A

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### Balancing global consistency with local competitiveness

A practical solution to managing the complexity

- Long-term incentive practices vary across the globe
- In many countries LTI levels are significantly lower than in the U.S., even for executives
- This is an example of how one company “rationalized” the LTI practices into a manageable number of distinct programs

Tier A	Tier B – 80% of Tier A			Tier C – 60% of Tier A	
Canada	Australia	France	New Zealand	China	Poland
UK	Austria	Germany	Norway	Hong Kong	Portugal
US	Belgium	Greece	Singapore	India	Russia
	Brazil	Italy	Spain	Japan	Thailand
	Denmark	Mexico	Sweden	Korea	Saudi Arabia
	Finland	Netherlands	Switzerland	Malaysia	UAE

**EXAMPLE**

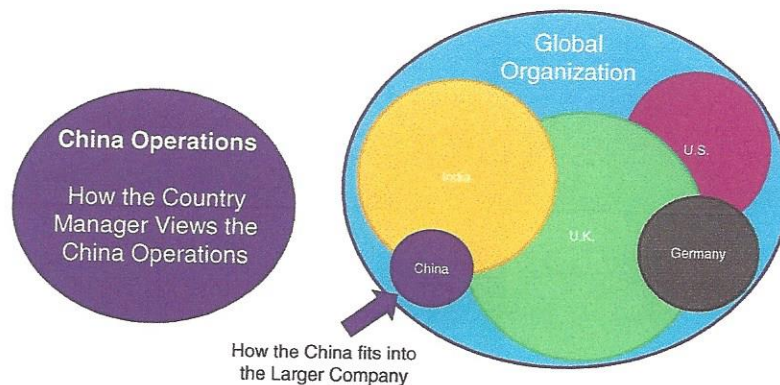
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### Creating a consistent view of jobs across the globe

A necessary step for many companies attempting to develop a global strategy

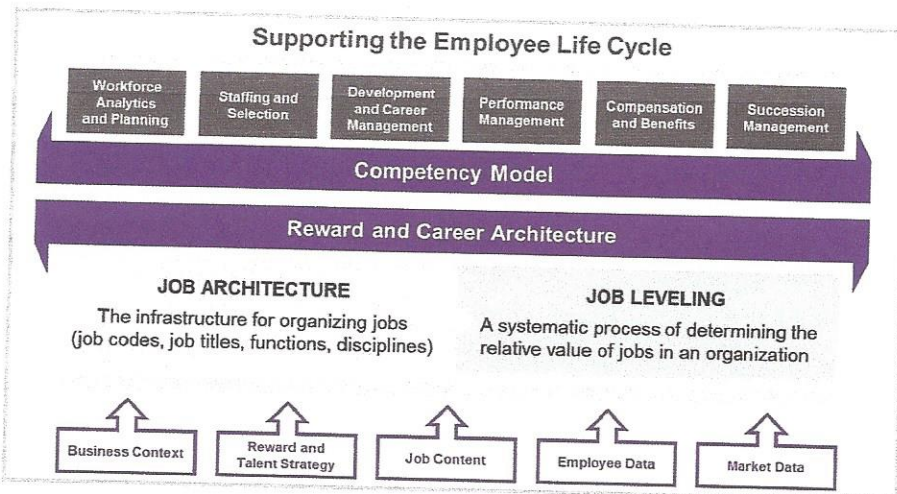
- One of the biggest challenges in creating a consistent strategy is codifying job levels within the company
- It's a technically challenging endeavor, and the cultural perceptions can be a complicating factor



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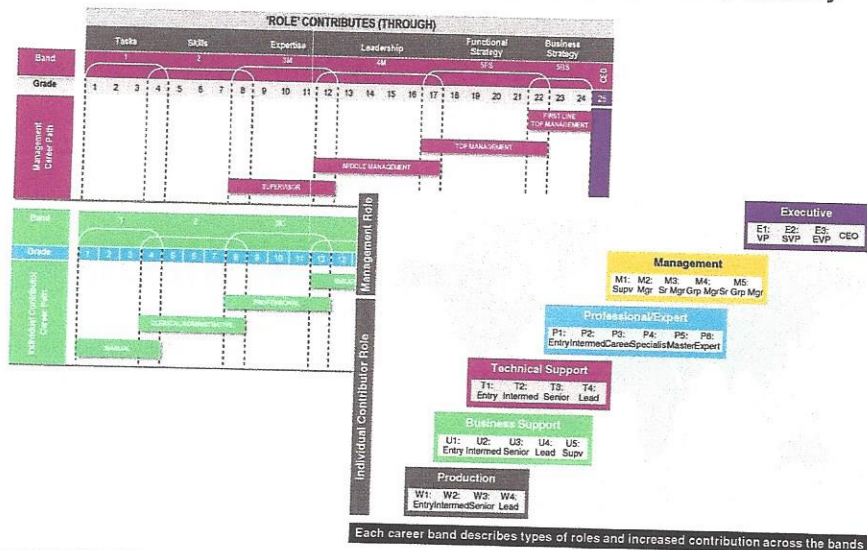
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## Reward and career architecture



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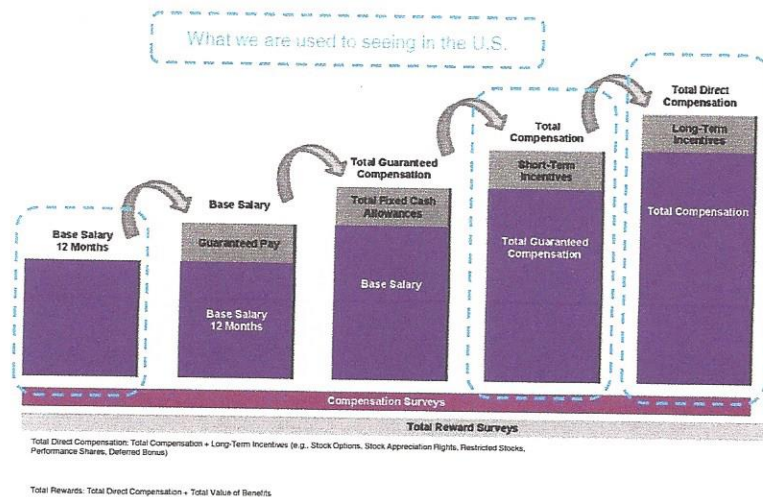
## Job leveling provides a foundation for consistent reward delivery



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## Benchmarking compensation globally

More complex compensation data reporting than in the U.S.



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## Understanding allowances and other country-specific compensation elements

### A simple example

In Brazil, there several non-mandatory but nonetheless common allowances. The difference between Base and Total Guaranteed is explained by these allowances. Examples include a seniority bonus provided to employees every five years and a public transportation allowance provided to employees who take public transit.

### Brazil



Currency	Base Salary <sup>(2)</sup>	Total Guaranteed Compensation	Total Cash Compensation	% with Car Allowance
Real	101,800	102,700	112,300	20%
USD <sup>(1)</sup>	32,500	32,800	35,900	

<sup>(2)</sup> A month's salary and paid in two installments. In Brazil, it is paid in November and December.

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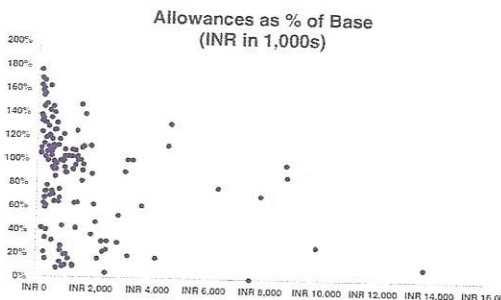
### Understanding allowances and other country-specific compensation elements

More complex example - India

- India has one of the most complex allowance schemes of any country
- The complexity is driven by the country's tax regulations, which exempt certain allowances from income taxes
- Allowances in India tend to be in flat amounts – so they make up a disproportionately high percentage of compensation for lower-level jobs
- There are at least 13 different allowances in India



Currency	Base Salary	Total Guaranteed Compensation
Rupee	873,000	1,105,000



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### Comparison across multiple countries

Career-level or Senior Accountant compensation

#### U.S.



Currency	Base Salary	Total Guaranteed Compensation	Total Cash Compensation	% with Car Allowance
USD	65,800	65,800	67,100	N/A

#### Brazil



Currency	Base Salary <sup>(2)</sup>	Total Guaranteed Compensation	Total Cash Compensation	% with Car Allowance
Real	101,800	102,700	112,300	20%
USD <sup>(1)</sup>	32,500	32,800	35,900	

<sup>(2)</sup> A month's salary and paid in two installments. In Brazil, it is paid in November and December.

#### Spain



Currency	Base Salary <sup>(3)</sup>	Total Guaranteed Compensation	Total Cash Compensation	% with Car Allowance
Euro	44,100	44,100	49,849	40%
USD*	52,150	52,150	58,948	

<sup>(3)</sup> Base Salary is divided into 14 installments annually. One of the "extra" months is payable in July; the other is payable in December. Both are accounted for in the Base reported in the survey. These are termed "Vacation Bonus" and "Christmas Bonus."

#### India



Currency	Base Salary	Total Guaranteed Compensation	Total Cash Compensation	% with Car Allowance
Rupee	873,000	1,105,000	1,144,000	20%
USD*	13,968	17,680	18,304	

<sup>(1)</sup> USD equivalents calculated as of 7.31.2017

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### Global view of how practices vary across different regions

What to watch out for...



While specific laws, regulations, and competitive practices can vary substantially among countries in the same region, there are some general trends that can be applied

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### Global view of how practices vary across different regions

What to watch out for...



- Canada's practices tend to be similar to the U.S.
- ...with some additional requirements for pay equity

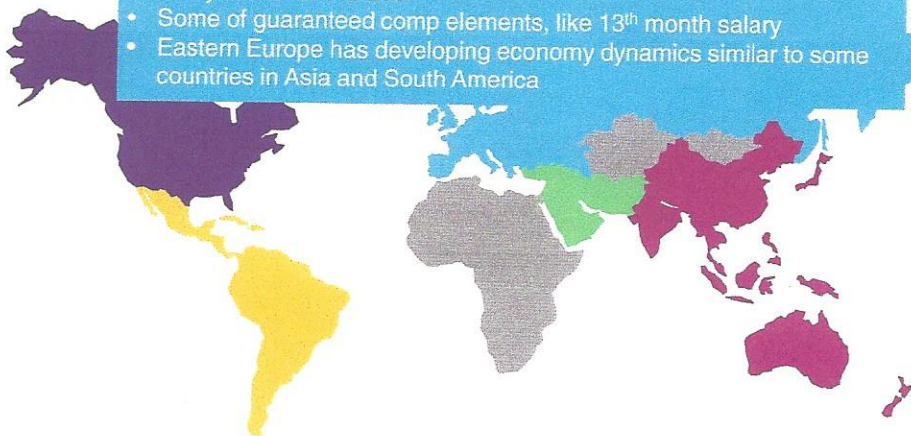
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**Global view of how practices vary across different regions**

What to watch out for...

- Fairly similar to the U.S.
- Some of guaranteed comp elements, like 13<sup>th</sup> month salary
- Eastern Europe has developing economy dynamics similar to some countries in Asia and South America



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**Global view of how practices vary across different regions**

What to watch out for...

- No strong consensus in pay practices
- 13<sup>th</sup> month salary is common
- A few countries, like Chile and Venezuela, have mandatory profit-sharing
- Fast-moving economies mixed with more stable, even stagnant, economies



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### Global view of how practices vary across different regions What to watch out for...



- Some very underdeveloped economies
- Some countries don't have what would constitute a true labor or job market
- Limited employment choices; so long-tenure with same employer is common
- Higher-than typical use of performance-based incentives relative to other countries.

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### Global view of how practices vary across different regions What to watch out for...



- Allowance structures are common
- High degree of turnover in developing economies, like India and China
- Unique cultural influences on rewards

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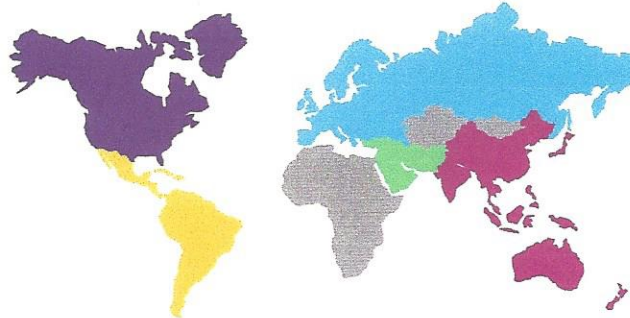
### India vs. the U.S.



	U.S.	India
<b>Economy</b>	Stable	High-growth
<b>Wage Growth</b>	Stable to modest growth	High-growth
<b>Labor market</b>	Competitive for top talent and critical skill	Highly competitive for a wide range of professional and skilled jobs
<b>Rewards Focus</b>	Balanced approach to rewards	Highly focused on cash with a small portion of rewards designed to supplement social security provisions
<b>Pay-for-performance</b>	Typical but less likely for support, technical, and manual jobs	Typical among all types of jobs

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## Questions?

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