

# Talent Mobility Management: Compensation Dilemmas

**The rise of “local plus” approaches, increased personalisation, and flexible packages are some of the trends that have attracted attention over the past few years. These recent evolutions of compensation approaches for mobile employees are often attributed to efforts to contain mobility costs and the alleged preferences of employees.**

However, these explanations fail to consider the more fundamental changes impacting businesses and HR practices. Compensation approaches currently in use were designed for employees who had long and stable careers in their companies, and on a hierarchical system composed of grades and positions. At the international level, they no longer reflect the growing complexity of mobility patterns and new forms of remote working.

HR professionals need to integrate into their thinking the ongoing dilemmas surrounding home- and host-based pay, the rise of pay for skills, the question of performance, pay equity, the question of relevance, and the broader concept of reward.

## The Unresolved Home/Host Dilemma

The home-based approach (balance sheet) has long been the most-used approach for international assignees. Two-thirds of companies report that they use a home-based compensation approach for their long-term assignees.<sup>(1)</sup> However, we are witnessing a renewed interest in host-based approaches (a pure host approach or a “local plus” approach including additional benefits), partly for cost, legal, and equity reasons. The rise in alternatives to long-term assignment, such as permanent moves and internationally hired foreigners, as well as the increase in employee-driven moves (i.e. non-business essential), also support the rising use of host approaches. Nevertheless, the problems linked to the limitations of the different assignee compensation options and the host approaches have not been solved.

A host approach does not work for all home/host combinations, it creates inequalities between destinations, and it can trigger cost and rigidity issues over the long-term (e.g. tempering with base salaries can inflate packages). However, talking about

“low-paying” and “high-paying” countries is a simplification. Emerging countries have steep salary curves – in other words, low-level employees earn very little but top-level managers have very high salaries. This opens up new possibilities to move people using a host compensation approach. But it also could create cost issues.

Successful implementation of a host approach requires a robust talent management approach to clarify the long-term intentions behind each move, as well as educating management and assignees about the choices they make. Oftentimes, a compensation approach that might look like a good solution in the short-term might be a costly one over the long-term.

The potential costs of a balance sheet approach and the limits to its application for some types of moves make it a useful but less-than-perfect solution. Equalisation of the purchasing power of the employees between locations is at the heart of the home approach. Although this concept of equalisation remains valid, it shouldn't necessarily lead to designing expensive and standardised packages.

require a mix of home, host, and international approaches rather than one simple solution.

## Paying For Skills

Traditional compensation approaches are based on the idea that employees are moving up the career ladder in the company and should receive pay based on a given grade in a fixed salary structure.

New ways of working are changing this logic. Furthermore, in the context of skills scarcity, companies need greater flexibility to pay according to skill relevance. Mercer's Pay for Skills survey shows that more than half of companies are prioritising skills over education. Leadership in half of the organisations surveyed view skills-based pay as an important, or even very important, way to ensure that the compensation plans are optimised.<sup>(2)</sup>

This means that compensation packages are driven by different considerations: a traditional one regarding the value of a given job, a second one involving living costs linked to a location, and a third (growing) one about skills – driven by talent market pressure.

The never-ending demand for skilled talent and the potential portability of skills across industries and geographies are other factors pushing organisations to develop location-agnostic pay scales for talent with specific skill sets. It will not eliminate discussions about cost-of-living and tax/social security differences, but it will force a reassessment of base pay calculation.

## Paying For Performance

The absence of systematic linkage between individual goals and the company's priorities is viewed as problematic for all employees, not just mobile ones. This means that many managers are setting individual goals in a vacuum without connecting the employee goals to the broader business unit's goals or the company's priorities. Ultimately, this is weakening the credibility of performance-related compensation.

The lack of clear international assignment goals is a problem when trying to evaluate the performance of an internationally mobile workforce. Organisations that do have goals commonly use criteria such as “assignment completion”. However, these criteria remain vague. They also do not provide indications of the value of assignments for the receiving business units over the long-term.

Organisations need to differentiate three types of interrelated outcomes: business

Companies are under pressure to create location-agnostic pay scales for talent with specific skillsets

The rise of international remote working and the internationalisation of the skilled talent market increase the complexity of the debate and point in the direction of location-agnostic pay models. Addressing the complexities of these scenarios might

outcomes (related to business growth and profitability and the acquisition of market share and new clients), mobility outcomes (related to the moves themselves and the impact on the receiving business unit), and talent management outcomes (the impact of skills transfer and personal development on the assignees and their local peers).<sup>(3)</sup> Precise KPIs related to these different outcomes are necessary to effectively measure and compensate for an assignee's performance.

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### Pay Equity

Mobility can help foster inclusion, pay, and career equity. The representation of women and minorities in the mobile workforce has a direct influence on their career perspectives and ultimately pay progression.

Mobility programs can indirectly increase pay gaps over the long-term in the absence of career equity. The objective is not just to achieve pay parity and increase the number of women and members of minority groups in the mobile workforce. It's about providing the right opportunities over the long-term.

Not all assignments provide the same benefits in terms of career progression. In some cases, the overall diversity of the mobile population in an organisation is good, but women and minorities are underrepresented in key assignment locations. This could hinder their career opportunities and eventually affect their pay progression.

### Being Relevant

Reward packages need to be flexible enough to address the needs of the different employee groups. Superficial input, assumptions based on past experiences, and even gut feelings often dominate the discussion about employees' expectations. Capturing structured feedback

is important to understand what package component and degree of flexibility are truly expected by each employee group.

Policy flexibility is a trending buzz term, but companies should check the facts before acting. What problems are they trying to solve with flexibility? What measurable benefits can flexibility bring to the business? Lump sums, benefits swaps, or cash conversion can help with complex assignment patterns but also lead to inconsistent experiences, tax inefficiencies, and hidden costs. Making sure that employees can make informed choices is a priority. Companies increasingly are going in the direction of more mindful flexibility and new "Care Flex" approaches that combine optional benefits with essential policy items designed to ensure duty of care for assignees and their families.<sup>(4)</sup>

Policies also need to be monitored to accommodate the changing needs and expectations of assignees. New financial hurdles could renew an employee's preference for higher base pay and cash allowances, while prioritising family life might lead to greater interest in practical support and wellbeing-related benefits. Despite the current buzz, preferences are neither stable over time nor written in the DNA of a given generation.

### From Compensation To Total Reward

Organisations focus more and more on the overall Employee Value Propositions (EVP) covering the total reward, and not just on pay components or "compensation" in a narrow sense. An EVP includes the sum of the benefits the employees will derive from their employment with the company: pay, benefits but also career progressions, learning opportunities, and purpose.<sup>(5)</sup>

Having your assignees argue about elements of their packages item by item provides a stark reminder that the individual components of the assignment package should not be discussed in isolation. All too often, employees are not even aware of the total costs (direct and indirect) covered by companies to facilitate their relocation.

Talent mobility also has a role to play in supporting career development and providing incentives for employees looking for learning experiences and a different lifestyle. The capacity to connect jobs with a bigger purpose and provide a differentiated mobility experience may relieve pressure on compensation as the main incentive to retain top talent. Experience shows that the reward concept is bound to remain an HR gimmick if its different components are not relevant, or if there is a gap between the promises and the realities of mobility.

The art of mobility compensation is less about finding the magic number than explaining the value of assignments to

management and packages to employees. Clear logic and principles are required to navigate the meanders and grey areas of mobile talent compensation.

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