As mobility managers grapple with increasingly international and mobile workforces and changing generational expectations, flexibility becomes an ever-looming complexity. For organisations that seek to provide fair and consistent policies globally, there are new models that provide choice.

Along with that choice, however, comes important factors to resolve. For companies that decide to incorporate flexibility, questions remain about when to implement, where it should be implemented, and most critically, where control rests, either with the business unit or the employee.

**F R A M I N G T H E I S S U E**

The scope of mobility is growing dramatically. Today, there are more types of assignments, international employees, and locations. With that expansion comes increased complexity for compensation packages. Designing the right package to date focused on using either the home compensation approach or the local compensation model.

Yet, increasingly, employees are seeking additional flexibility in compensation packages. Companies are already facing the pressures related to dual-career couples and cost that can make mobility a challenge to implement successfully at the same time the needs are growing in increasingly global markets.

That’s why many employees, particularly Millennials, are looking for more options and more flexibility. That requires new thinking, new guidelines, and new policies that can support employee choice.

**S E G M E N T A T I O N V E R S U S F L E X I B I L I T Y**

Until recently, companies have taken a segmentation approach to manage international assignments. Segmentation provides for specific guidelines that are driven by different business cases. Those cases are dependent on differences in employee profiles, the relative business value of the assignment, and the length of that assignment.

For each variable business case, a policy is established. A decision tree is typically used to determine which policy and segment apply for each employee. Each policy fills a specific purpose and is based on a defined compensation model.

- Business case needs:
  - different employee profile
  - varying business value
  - ranging length of assignment
- A policy to cover each business case => a policy segment
- Decision tree is typically used to identify which policy / segment applies to each specific business needs
- Each policy element have a specific purpose

- For each policy definition the purpose is covered through structured guidelines
- Guidelines can determine the Core elements and potentially the Flexible elements to support international assignment – from none to a very broad range
- The range of choice available can be limited within one specific element or across several or all benefits
Flexibility allows specific policies or guidelines to establish the purpose and application of the flexible approach. Like segmented approaches, there are specific guidelines that establish a policy's purpose. Those guidelines, however, provide for nuance.

Typically, the guidelines dictate certain core elements and which elements are flexible, from none to an extensive selection of benefit options and compensation guidelines. Choice can be provided in several ways, either through one particular core or flexible elements or across a portion or the entirety of all the benefits provided.

**Elements of a Cafeteria Model**

In a cafeteria model, choice is optimized to provide employees or business units the flexibility they increasingly desire. This is similar to the approach of cafeteria dining, where one can select from a set number of choices. The crux, however, is the way in which such policies are structured. Once policies are in place, there also needs to be nuance built in to allow for exceptions, though minimizing the number of exceptions is critical.

The cafeteria model is focused on three core variables. Once these foundational variables are clarified, policy development becomes much clearer. They are:

- **Choice Determination.** Who makes the decisions about choices, the employer or the employee?
- **Scope of Choice.** How broad is the amount of choice? Is it among one elements, a range of elements, or all elements? Which elements are considered core and which are flexible?
- **Cash Equivalency.** Is cashing out an option?
ADVANTAGES AND DISADVANTAGES

Why might a company choose to adopt a cafeteria model? There are a number of core advantages to such an approach:

- **Reduce Exceptions.** In some cases, exceptions have become the norm for mobility policies. Creating a structured flexibility policy eliminates the issue of exceptions being the rule.

- **Solve Perception Bias.** Both employees and employers are prone to experiencing perception bias in their relative valuations of provided benefits and package components. A cafeteria model provides for the decision-maker (either the employee or employer) to have control over relative weighting and valuation.

- **Local Flexibility.** With the growing number of situations and variables, cafeteria models provide for easier adaptability to local situations and variances.

- **Recognition and Awareness.** With an a la carte approach, there can be a deeper understanding of the variables that go into a comprehensive compensation package. Employees in particular can better understand the financial components and complexity of a package.

<table>
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<tr>
<th>ADVANTAGES</th>
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<tbody>
<tr>
<td>Policy becomes a guideline only.</td>
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<tr>
<td>&gt; Could be a way to reduce exceptions in cases where exception is the rule.</td>
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<tr>
<td>Businesses and Employees have the maximum flexibility to change their perception of the specific situation.</td>
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<tr>
<td>Adaptability to local situation.</td>
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<tr>
<td>Recognition of the various variables impacting the compensation package.</td>
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<td>No time is spent in debating and negotiations.</td>
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<table>
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<th>DISADVANTAGES</th>
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<tr>
<td>Flexibility can lead to uncontrolled impacts on cost.</td>
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<tr>
<td>Administration and tracking can be challenging.</td>
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<tr>
<td>Lack of consistency and equity among all employees.</td>
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<td>Risk in arbitrary decisions.</td>
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There can also be disadvantages to using a cafeteria approach:

- **Cost Spirals.** A cafeteria model can create some unpredictability in overall compensation costs, especially with cash-out options.

- **Logistical Complexity.** Tracking and managing the administrative components of a cafeteria model can add complexity and additional burden on mobility, finance, HR, and tax teams.

- **Inequity.** Perceived or Real. Flexibility by nature means inconsistency from package to package. However, that’s precisely the point. The important issue is that the process and policies that guide variable packages are applied consistently.

- **Increased Risk.** Whether the choice is among employees or employers, a cafeteria approach increases risk for those making decisions. Those risks can have financial implications, some of which may have long-term consequences, for the employer or employee.

CREATING A CAFETERIA MODEL

If you are considering shifting to a flexibility approach from a segmentation mobility model, there are three core steps to define:

- The business purpose of mobility
- The business cases that will drive policy segmentation
- The level of flexibility for each element of segmentation
BUSINESS CASES

In defining the business cases, a company needs to determine who is assigned, why they are assigned, and for how long an assignment lasts. The below chart illustrates a sample decision tree for various assignment types from permanent transfers to short-term assignments that transfer knowledge or fill a skills gap.

The employee profile, assignment purpose, and assignment duration usually help determine the assignment policy segmentation.

The example leads to six different policy options: a permanent transfer, long-term strategic assignment, short-term assignment, standard long-term assignment, a business-driven local assignment and a developmental assignment.
Excluding the standard long-term assignment, the next chart illustrates options for the five other policy cases. In each case, the package components considered are a mobility incentive, housing, education, relocation, health coverage, and home leave.

For each component in each policy case, the chart illustrates how one company might approach whether the employee or the business unit might be provided an a la carte choice.
While flexibility is a good option it is still rarely implemented. With flexibility, even that which is guided by sound and clearly defined cases, there is still a high degree of complexity.

Simplicity is the right approach for now. That’s why most companies with a cafeteria model usually limit the choice to the business side, not the employee.

This approach allows for the business to consider local variations that need to be addressed via exceptions. Even limited flexibility provides for a nuanced approach to each situation, factoring local business needs, country and location particulars, and peer situations and competitiveness.

Yet with each exception comes increased complexity. The key is to set a very clear framework, with explicitly clear definitions, for each variable, each core benefit, and each flexible benefit.

While such an approach may work in the short-term, the future will require additional approaches and systems to support the growing expectations of employees. Younger employees are seeking flexibility throughout their work experiences, including international assignments.

For companies that want to be ready to respond to the ever-important global need for talent, a cafeteria model allows for experimentation with a new approach to mobility. As models and best practices evolve, so too will employee and business unit expectations. The flexibility that a cafeteria approach provides is a powerful way to serve the needs of the employee and business alike.
WANT TO LEARN MORE ABOUT GLOBAL MOBILITY POLICIES?

1. CONTACT YOUR LOCAL MERCER CONSULTANT TO GET A FREE CONSULTATION ABOUT YOUR SPECIFIC NEEDS AND ISSUES
Mercer consultants can assist with all aspects of global mobility compensation from compensation policies to practical solutions to calculate expatriates packages. We understand your needs are very individual and can work with your specific issues and objectives. Our commitment is to provide you tailored solutions regardless of home and host location, or the type of assignment involved (i.e., long-term, short-term, strategic, or developmental).

GET A FREE CONSULTATION

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ATTEND A TRAINING

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The Worldwide Survey of International Assignment Policies and Practices (WIAPP) is a comprehensive survey covering all aspects of international assignment management and has the largest participant base in the market with over 830 global companies participating.

The Alternative International Assignments Policies and Practices (AIA) Survey is a deep-dive into policies and practices, and examines trends for the following types of international assignments: Local Plus, Developmental/training, Short-term, Commuter, Intra-regional, and Global nomad.

An in-depth look at policies and practices in several locations where Local Plus packages are prevalent, the Local Plus Surveys expand on our recent research into alternative assignment types.