

Executive summary



China has increasingly become the focus of the global economy. With more companies investing in China, having the right talent in place to meet the needs of the business is a challenge for many companies.

In the past, companies offered premium packages to attract and mobilise employees to China. In today's turbulent economic environment, there is a genuine interest by companies to understand how they can manage the costs of their international mobility programmes more effectively whilst at the same time mobilising the skilled resources they need to sustain their growth plans in China and the region.

PwC International Assignment Services (Shanghai) Limited has conducted a survey on "Key trends of cross-border moves in Asia", which is designed to seek insights into how China based companies attract and retain foreign talent in Asia. The survey focuses in

particular on localisation trends in China and the challenges faced by HR professionals related to the growing group of skilled returning Chinese. More than 100 China based companies across all industries participated in this survey.

China – the top assignment location in Asia

China is undoubtedly the key investment target in Asia for many multinational companies (MNCs) and her vast domestic market is large enough to warrant companies setting up their regional headquarters in China to manage activities in the region or at least in Greater China.

With over 33% of the respondents having their regional headquarters in China, it is not surprising to see that 78% of all respondents selected China as their key assignment location in Asia, followed by Singapore (43%) and Hong Kong (39%).

Similar surveys conducted in the second half of 2008 for Singapore and Hong Kong based companies also confirmed China's status as a top assignment location in Asia. The Singapore Survey results reflected China (68%) as the second most popular assignment location in Asia after Singapore (70%) while the Hong Kong Survey results reflected China (77%) as the top assignment location in Asia, ahead of Hong Kong (67%).

China is still anticipated to grow, albeit at a slower rate due to the global economic downturn. There is however still a clear indication from China based companies that foreign talent is required for "transfer of skills and knowledge" (75%) and that there is a "lack of suitable skills in the local market" (63%). These were the top two reasons cited by the survey respondents when asked why they recruit skilled foreign talent.

At the time the survey was conducted, respondents based in China anticipated the trend for China inbound assignments to continue to increase over the next two years, especially for local plus terms (51%) and short term assignments (43%). These trends were predicted in spite of the global economic uncertainties already evident at that time.

Cross-border moves into China from Hong Kong have been increasing in recent years. The Hong Kong Survey had a particular focus on these cross-border moves and it was found that a large percentage of Hong Kong based companies have been and will continue to relocate employees to China to take up middle management roles due to their

global/regional exposure, familiarity with the Chinese culture and their Chinese language capability. Hong Kongers deployed to China typically receive local plus packages, consistent with the increased trend of China inbounds on local plus terms confirmed by the results of this survey.

More Chinese nationals expected to go on international assignments

With "lack of suitable skills in the local market" being one of the top two reasons fuelling China's need for foreign talent, it is not surprising that many China based companies are putting more effort to train up their local talent and give them international exposure. 44% of the respondents anticipated an increase in Chinese outbound moves on short term assignments over the next two years while 24% anticipated an increase in long term assignments.

Some companies are also using overseas assignments as a talent management tool, providing development opportunities for their outstanding local Chinese employees. Going on an overseas assignment gives the employer the added advantage that the employee can bring the necessary skills and knowledge back to China after the assignment. From the local employee's perspective, international exposure would almost certainly lead to better career opportunities and give one the bargaining power to demand for higher compensation and fast-track promotion.

China – a difficult localisation destination

From the survey, 49% of the respondents indicated that they have localised some of their assignees in China. On the other hand, 73% of respondents admitted that localised employees make up less than 10% of their foreign national population.

38% of the respondents in our survey considered China the most difficult location in Asia to localise, with India coming in second (16%). This is also consistent with the results from the Singapore Survey where 24% of Singapore based respondents considered China as the most difficult country in Asia to localise, with India coming in second (18%).

Interestingly, similar localisation pitfalls surfaced in both the China and Singapore Surveys. Localisation packages, schooling and environmental/social factors were listed by respondents as the top three factors that made localisation difficult. This proves that financial rewards and family needs continue to be key concerns of many international assignees.

As to what actually drives companies to localise in China, “cost to the company” emerged as the top reason since hiring foreign talent on full expatriate packages can easily be two to five times more expensive than hiring local Chinese talent.

With cost containment at or near the top of most company’s agenda during this economic crisis, it is not surprising to see 64% of the respondents indicating that China will continue to be a key location for localisation. Increasingly, as a compromise or interim solution, more companies are offering hybrid packages, also known as “half-pats” or “local plus”.

Increasing number of returning Chinese

A Westerner or non-Chinese Asian may have the functional skill sets required in China, but may have language and cultural difficulties, as well as different expectations in relation to housing, education and quality of living generally resulting in higher cost.

On the other hand, the Chinese returnees as well as ethnic Chinese expatriates from Asia, e.g. from Hong Kong, Singapore and Malaysia, offer international experience and a better understanding of the Chinese language and culture. For many companies in China, hiring Chinese nationals with overseas work experience and regional Chinese expatriates is a preferred option.

With the rapid development of the China market and high demand for talent, more Chinese nationals, commonly known as “HaiGui” in Chinese, have opted to return to China after studying or working overseas. In fact, 61% of the survey respondents anticipated that they will recruit more overseas Chinese talent

into their organisations over the next two years. “Language capability” (65%), “transfer of skills and knowledge” (62%) and “familiarity with the culture” (59%) were cited as the three main reasons for the increasing preference for Chinese returnees.

As for the remuneration package for these returnees, 32% of the participants indicated that they offer remuneration packages aligned to local benchmark levels, while only 23% would offer expatriate packages to the returning Chinese. Survey results also showed that returning Chinese employees typically hold middle management (77%) and senior management roles (39%) in China based companies.

Mobility policies – regional variations are more common and better reflect deployment needs

- **Mobility policy frameworks**

China based HR professionals, like their counterparts in the Hong Kong and Singapore Surveys, confirmed that the mobile workforce in Asia is very diverse. In recent years, there has been a marked increase in mobile talent from the neighbouring Asian countries as well. Due to the varied nationalities, levels of seniority and skill sets, companies based in Asia are implementing a variety of deployment policies to attract and retain the talent they need to grow their business interests in the region.

Our survey findings showed that around 40% of the participants apply one worldwide policy for both long term and short term assignees and 45% of the participants implement separate regional policies for local plus mobile employees. For localised employees, most participants apply a worldwide policy framework with regional variations or separate regional policies.

- **Review of policies and processes**

The survey results showed that a large number of companies have reviewed their mobility policies within the last 12 months or are still in the midst of reviewing them.

Several respondents also introduced some tax planning ideas to their existing policies for tax efficiency purposes while some reported that they have introduced a local plus and/or localisation policies into their mobility programmes for the first time.

With annual economic growth rate close to 10% in the last decade, inflation has been a concern not only in the 1st and 2nd tier cities in China, but also extending to the other areas of the country as well. Through the survey, we see that companies have a keen interest in ensuring that their mobility policies are in alignment with local market trends. Regional policies or regional variations offer companies the flexibility to cater to their evolving business objectives, to explore cost containment opportunities as well as to meet the deployment needs of an increasingly diverse mobile workforce.

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