

SHORT-TERM INCENTIVE TRENDS AROUND THE WORLD

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In the design of expatriate pay packages, one component of compensation focuses on the differences in cost of living, while others involve assignment-related allowances that have become traditional in many plans. But there are other pay elements that fall outside expatriate-related items – merit increases, for one, as well as performance-related bonuses for another. For many jobs, an annual short-term incentive (STI) is a key part of the total rewards package used to attract, motivate and retain talent. This remuneration is practical from a company’s perspective because awards are typically tied to specific, measurable, agreed-upon financial performance goals – often related to incremental revenue or profits.

The majority of employers (71%) allow expatriates to remain eligible for performance-related incentive bonuses on the same basis as their home-country colleagues, according to Mercer’s *Worldwide Survey of International Assignment Policies and Practices*. Twelve percent use the same basis as host-country counterparts. The size of potential STIs and eligibility for them directly relate to an employee’s level and role within a company. These variables differ by region and country, as reported in Mercer’s *Short-term Incentives around the World* report.

As expected, incentive awards (and the share of employees receiving them) generally increase in size with employee levels in all regions and countries. But some regions place more emphasis on STIs than others, as illustrated in Chart 1, “Regional Incentive Trends by Job Family.” Differences also arise as a result of local practices, company type and job mix.

Some examples of payout differences by career level include:

- For executives and top managers across all regions – except North America (39%) – incentive payout is below 27%. Executives in Eastern Europe, the Middle East and Africa (EEMEA) fall at the lower end.
- Managers’ incentive payouts range from 11% to 17% of base salary, with Asia-Pacific at the top of that range.
- Payouts for supervisors and team leaders are lowest in Australia/New Zealand.

As an organization expands, it needs to reassess its expatriate and local pay programs and acquire accurate market data on trends. STIs represent just one such key component in the goal of attracting, motivating and retaining qualified employees.

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Chart 1. Regional Incentive Trends by Job Family

Job Family	Highest STI Prevalence	Lowest STI Prevalence	Highest STI Payout (% of Base Salary)	Lowest STI Payout (% of Base Salary)
Top management	Latin America + North America	Australia/New Zealand	North America	EEMEA
Corporate affairs; engineering; supply & logistics; legal; HR	Asia-Pacific	Australia/New Zealand	Asia-Pacific	Australia/New Zealand
Finance & accounting; marketing	Asia-Pacific	Australia/New Zealand	Asia-Pacific	Australia/New Zealand + Western Europe
Administration	Asia-Pacific	Australia/New Zealand	Asia-Pacific	North America
IT	Latin America	Australia/New Zealand	Asia-Pacific	Australia/New Zealand + North America
Sales & marketing	Latin America	Australia/New Zealand	Asia-Pacific	Western Europe + Latin America
Sales	Latin America	North America	North America	Australia/New Zealand
R&D	Latin America	Australia/New Zealand	North America	Australia/New Zealand + Western Europe
Manufacturing	Latin America	Western Europe	Asia-Pacific	Australia/New Zealand
Quality assurance	Asia-Pacific	North America	Asia-Pacific	North America
Contact center	Latin America	Australia/New Zealand	EEMEA	North America

Source: Mercer’s 2012 *Short-Term Incentives around the World*