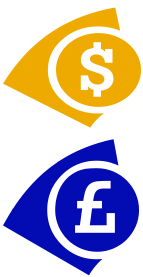




BARBARA PARRY EXPATRIATE CONSULTING

In association with 

Expatriate Rewards



Companies have various reasons for sending Expats on assignment, which vary from establishing a new company in the host country; skills transfer; governance; mentorship; career advancement for the assignee.

The duration of assignment will be determined by the Company's business requirement, taking into account the task to be achieved, and the longer term impact on the company in the host country. Skills availability in the host country in Africa is a big factor, as the labour market provides highly qualified graduates with very little to no work experience.

Culture transfer from the Head Office is another reason, when a specific culture is to be entrenched into the new company. This is when it is critical for the incumbent to understand the culture of the country and the values of the local nationals in that country if they intend to succeed.

Should the assignment be purely to advance the career of the assignee, then a different remuneration philosophy is applied, as they are not specialists going out to train the local nationals, but they are going for their own development.

Selection of assignees is vastly different to recruiting for South Africa.

The success of the incumbent relies on far more factors than those applicable in a home country.

The skills sets are far more complex, due to the nature of an assignment, and as the host country environment gets more difficult, so do the skills increase.

A critical factor is the ability of the incumbent to deal with foreign cultures, as well as to operate effectively in an environment of chaos and uncertainty.

Emotional wellbeing of the incumbent and the accompanying family is pivotal to the assignment success.

Their physical capacity to survive medically in a foreign country that may not have the same medical facilities as the home country and with tropical diseases that do not occur in the home country.

These issues should be assessed as part of the recruitment process, to avoid selecting purely technical skills and having the assignee and the family crash and burn in the foreign country.

The security risks are not as prevalent in 1st world countries, as far as personal security and medical facilities, but the same considerations do need to be taken into account when moving people to any foreign country - as the reality is that people react to unfamiliar surroundings no matter how sophisticated they may be.

Assignees are costly employees, resulting in companies utilising their skills in as little time as possible.

There are numerous classifications for assignees, the most basic being as follows:

Business travelers : stay on home country payroll, and receive per diems for the time away - usually not more than 6 weeks at a time. They may travel frequently, but not for long periods.

Short Term / Secondees : these people normally go on an assignment salary on the host country payroll, but as the assignment is usually between 6 and 12 months, they do not relocate families with them.

Expatriates / Long term Assignees : these are the people that go for over 12 months, and relocate their families with them for between 2 and 4 years, depending on the business requirement.

HOW DO YOU PAY THESE PEOPLE?

There is no right or wrong way, but there are some fundamental criteria that need to be addressed in calculating assignment salaries.

The host country currency may be used in a 1st world country, which assignees would be able to meaningfully and consistently benchmark against their home country currencies and establish the value of the assignment.

The host country currency in a 3rd world country may simply not be an option, due to the volatility of the currency, or the ability to take the funds out of the country at an established value at the end of the assignment.

Many companies offer split salaries, thereby enabling assignees to receive sufficient in the host country to cover their daily costs there, some into their home countries to cover pre-assignment costs there, and some offshore that will enable them to save funds in a hard currency and thereby establishing the financial value of the assignment at the end of the assignment.

These options are tied to company structure, legislation and taxation - which must be evaluated prior to any agreement.

The Cost of Living factor is a calculation of the difference between the cost of goods in the host country and that of the home country and the allowance enables the expatriates to maintain the quality of life in the host country.

There are a number of companies that conduct this research on a regular basis, such as ECA, Mercer and Airinc.

These companies sell this data to companies and it is important to have justifiable data when calculating offers for assignees.

A good thing to do is to go to the country personally and from an HR perspective, price goods in the relevant city or town that the assignee will be living in, to make sure that the costs are fairly stated in the research.

These factors need to be regularly updated, and the inflation in the host country must be monitored, to ensure that the assignee's quality of life is not further compromised by escalating costs that are not accounted for in their salary build up.

The Hardship or Location factor is a researched factor of the difference between the home country and the host country, based on many criteria, such as climate, security, language, culture, facilities and many more.

This factor is applied in the calculation of the assignment salary, to compensate for the difference and the disruption to the family.

This data is available from ECA, Mercer and Airinc - and should also be verified in certain cities or towns where the assignees will be required to live.

This factor can also change during an assignment, and therefore needs to be monitored - in cases of terrorism, war or environmental crises - such as the tsunami.

Assignees tend to notify HR of these changes, but at all times there must be a rational assessment of these issues, to make sure that the assignees are safe, and also to protect the company from excessive costs.

The hardship factor compensates for discomfort and disruption

Depending on how the assignment salary is calculated, and the company policy on remuneration, some companies do pay a Mobility Allowance.

This is to compensate for the incumbent's willingness to accept the assignment, and to disrupt the family along with all the additional stress and confusion that an international move creates in family life.

The mobility allowance is used as the cost of living and hardship allowances keep the quality of life and cost of living equitable with those of the home country. The mobility Allowance is a tool to ensure willingness to accept assignment.

This is normally paid monthly, but some companies pay a lump sum at the beginning of the assignment.

Some companies do not pay this, but compensate in other areas - it is once again not set in concrete, and it is at the company's discretion as to whether this is a relevant allowance in the full salary calculation.

Various costs arise on arrival in the host country, in spite of the company providing accommodation and furnishing and other goods.

The Relocation allowance provides the funds on arrival in the host country, in the host currency (or a hard currency) to purchase the necessary items required at that stage, prior to the household goods arriving from their home country.

Company provided furnishings tend to all look the same, and families need to make their accommodation "home" as soon as possible, and often the personal effects shipped to the host country only arrive weeks after they have moved in.

Companies need to provide the funds and the time to the assignee to establish this comfort and sense of home for the family in order to have the assignee operative and productive as soon as possible.

The host country is a daunting place to live on arrival, and this enables the family to create their own "space" in the country, where they feel comfortable.

Some companies provide other allowances such as:

- Education allowance for the spouse to study whilst in the host country
- Housing allowance if they do not provide the accommodation
- Schooling allowance if they do not pay for the schooling in the host country.
- Home trip allowances - if they do not book and pay for the annual leave trips
- Car allowances - if they do not provide a fully paid for vehicle in the host country.

In 1st world countries, where the public transport system is reliable, they may provide a traveling allowance, to cover trains, underground tubes or busses.

These allowances are part of the total package paid to the assignee, and need to be included in the total cost to company for each assignment. Many of these allowances and benefits are taxable in the host

country, so the expatriate package should be structured to avoid exorbitant taxes for them in the host country.

Strong benchmarking should be made when paying these allowances, to ensure that the assignee is being equitably remunerated for all these benefits. Make sure that all Allowances are fair and equitable

Home country salary on repatriation

This is an area of great debate. Know what you intend to do with the person on repatriation

Some companies record the pre-assignment salary which is adjusted annually by the average increase in the home country, so that it does not stagnate whilst away.

However, often the assignee is promoted whilst on assignment, or the job that they take up on assignment is a higher grade than they filled in prior to assignment.

When they return to the home country, what happens to them, are they guaranteed a position equivalent to the post held on assignment? Are they guaranteed a job back at all? Do they get the jobs back that they held prior to assignment.

These decisions are important, as the assignee has jeopardised not only his family by going on assignment, but also his career within the company. Companies need to focus on this as a critical area in persuading employees to accept assignments, and also to provide some security in returning home.