



Remuneration and Benefit Components of an Expatriate Assignment

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Introduction



Presentation will be based on the results from our 2011 PE Corporate Services expatriate and in-country local salary survey

- Sample of over 1 200 expatriate packages
- 17 African countries
- Around 40 multinational companies

Provide an overview of remuneration and benefit components in the Expatriate package

Informal and interactive



Today's Agenda

Approaching an Expatriate assignment
Expatriate/International mobility policy
Pre – Assignment costs

Structuring an Expatriate assignment remuneration package

Common remuneration approaches

Expatriate allowances

Host Country benefits

Home country benefits

Post assignment costs

Cost of an Expatriate assignment



Comparison of Expatriate payments vs In-Country Local employee salaries (Guaranteed Package) - as extracted from 2011 survey

- Overall on average 2.6 times higher, with Mali, Malawi and Tanzania having biggest variances.
- The combined grade average values of Expatriate payments are 2 times higher when compared to a South African pay line
- Artisans are paid 3.6 times higher
- Technical Support 3.4 times higher
- Professionals (Engineers) 2.6 times higher



When considering Expatriate assignee pay options, as a company we need to consider:

- Is the approach understandable?
- Is the approach fair and equitable (both the employer and the employee)
- How simple is it to administer?
- Will the assignment package attract the right talent ?

Expatriate / Mobility policy



Does one size fit all?

Assignees do talk.

Traditionally the assignment package depends on negotiating skills.

Contributing factors (Effects negotiating power)

- Company Philosophy – people vs costs
- Host country location (established (less allowance) vs emerging (more allowances))
- Assignee demographics

Stakeholders (what are their drivers)

- Assignee (flexibility, freedom of choice, financial rewards)
- Business (new revenue streams, operational cost pressure, certainty)
- HR (Balancing the above)
- Service providers

Expatriate / Mobility policy



When making decisions on Expatriate packages go back to the company's principles and take the values of the company into account.

Principles

- Consistent approach to expatriate conditions across the Group
- Regulatory Compliance
- Tax effective structuring for the employee's benefit
- Consistent, transparent reward and recognition policy and process
- Expatriate should not be worse off in the host country than they were in the home country

Get the highest authority to sign off on the policy, other HR will be challenged on every level.

Pre-Assignment Costs



Expatriate employees (As extracted from a PWC presentation attended in July 2012)

Any expatriate who wants to carry out permanent activity in the DRC and is included in the organization chart of a Company, has to sign an employment contract in the DRC, stamped by the Labour Authorities, and then, obtain the following documents:

- A work permit (“carte de travail”) from the Ministry of Labour, valid for 2 years renewable;
- A resident permit (“visa d’établissement de travail”) from the Immigration Services of the State, for a 2 year period (renewable);
- A first entry/exit visa, valid for 7 months;
- A resident card (“carte de resident”) from the Home Office.
- The work permit must be obtained prior to visas and resident card applications.

social etiquette – Service provider?)

Some Expatriate pay alternatives



Methodologies for calculating the Expatriate assignment value

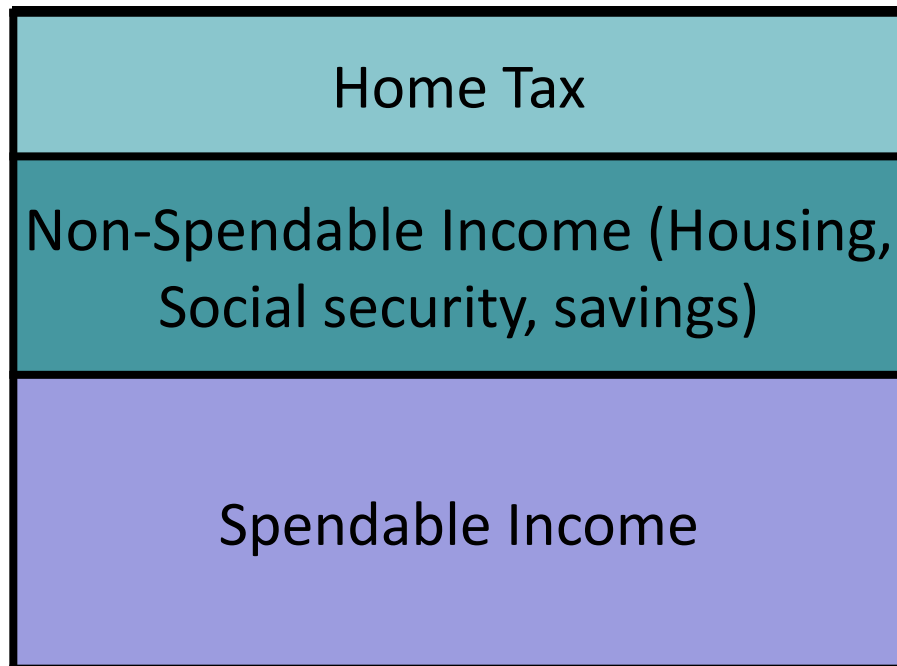
An expatriate should be financially no worse in the host country than they were in the home country. There are a number of methodologies / approaches adopted by organisations

	Country Approach	Percentage of Organisations	
A “home country” approach where the expatriate is based on a home country cost of living differential	Home Country	42	tion is based on a for cost of living “up approach;
A “host country” approach where the expatriate is based on a host country cost of living differential	Host Country	25	compensation
A “split payment” approach where the expatriate is based on a combination of home and host country cost of living differentials	Combination	33	responsibility

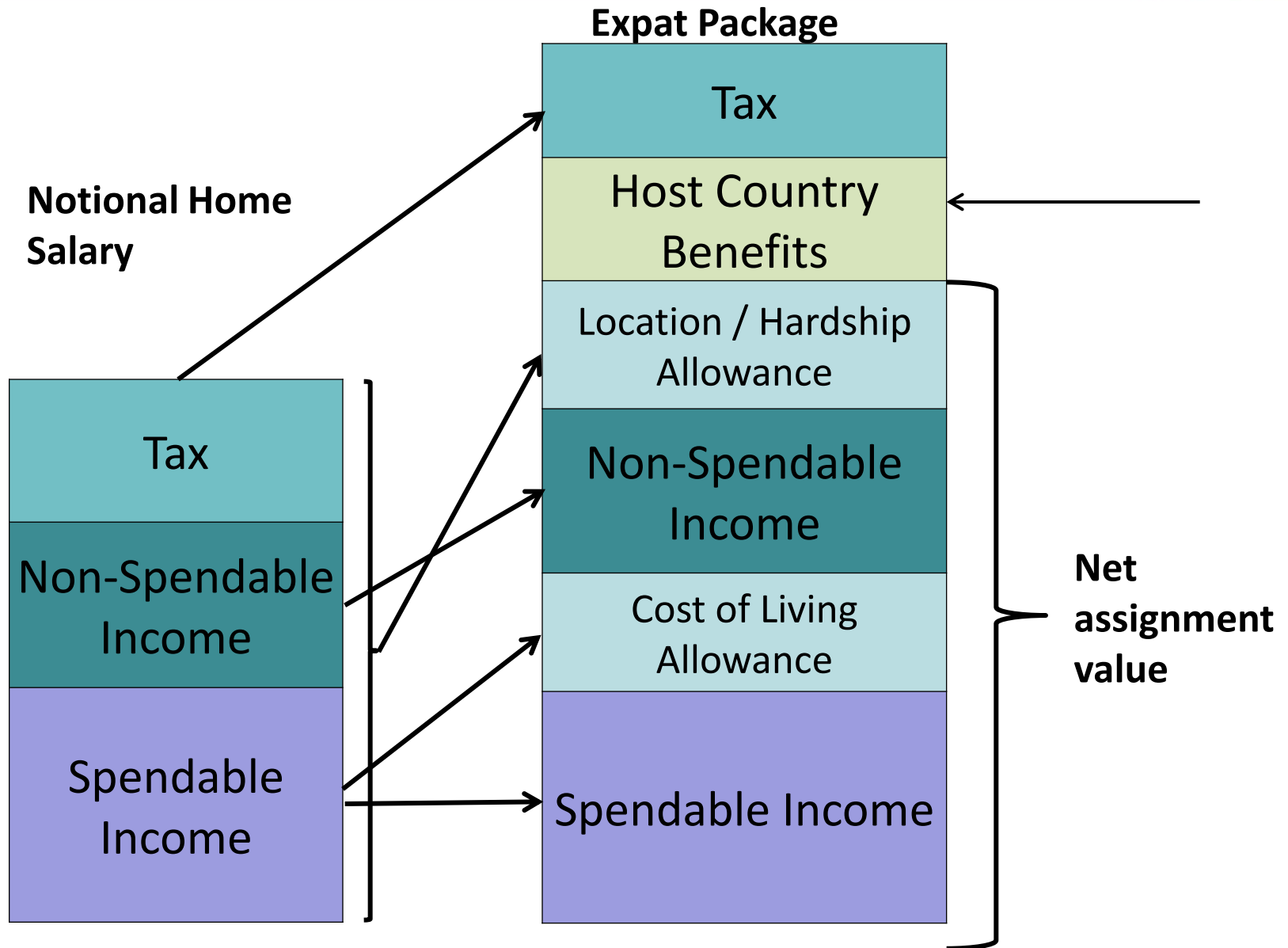
A “**Split payment**” approach between home and host countries where the normal pay continues to be paid in the home with additional assignment related payments in the host country.

Calculating an expatriate Assignment

Example of South African Notional Home Salary employee Salary



Calculating an expatriate Assignment



Tax advice / services

75 per cent of participating organisations provide tax advice to expatriates prior to them leaving and 70 per cent provide tax advice on an on-going basis

Tax Component (useful definitions)

Tax equalisation (59% of participants)

The concept of tax equalisation is that **the employee should be neither better nor worse off from a tax point of view by accepting an assignment.** Employees will continue to be subject to the same level of tax as if he/she had remained at home. The tax impact of the assignment is therefore neutralised for the employee.

Tax protection (28% of participants)

Tax protection is similar to equalisation to the extent that **the employee should pay no more tax than if he/she had remained at home.** The difference arises when the employee is assigned to a low tax jurisdiction, **the tax benefit is enjoyed by the employee and not the employer.** Tax protection tends to be more popular when the employer has a small number of expatriates and/or if an incentive is required to encourage an employee to take up an assignment.

“Laissez-faire” simply implies that the employee must sort his own host country tax affairs with no involvement from the employer.

Calculating Expatriate Allowances



Expatriate Package

Location / Hardship Allowance
Cost of Living Allowance

Expatriate Allowances

Allowance	% of organisations offering in home base build up	% (ave) of Remuneration (Notional home salary)
Hardship	64	29
Mobility	47	24
Rest and Recuperation	35	18
Cost of Living Allowance	59	29
Other	32	18

Rest and Recuperation can be defined as additional leave (on full pay) granted to eligible assignees required to work for extended periods under hazardous, stressful and/or difficult conditions.

Expatriate Allowances



Liveability Ranking as extracted from the latest Economist Intelligence Unit report in August 2012 (www.eiu.com)

Country	City	Rank	Overall Rating	Stability	Healthcare	Culture & Environment	Education	Infrastructure
			(100 = ideal, 0 = intolerable)					
Côte d'Ivoire	Abidjan	131	45.9	30	45.8	54.2	50	53.6
Cameroon	Douala	133	43.3	60	25	45.6	33.3	42.9
Libya	Tripoli	134	42.8	50	41.7	35.4	41.7	44.6
Algeria	Algiers	135	40.9	40	45.8	42.6	50	30.4
Zimbabwe	Harare	137	39.4	30	20.8	55.8	66.7	35.7
Nigeria	Lagos	138	39	25	33.3	52.3	33.3	48.2

Expatriate Allowances



Liveability Ranking as extracted from the latest Economist Intelligence Unit report in August 2012 (www.eiu.com)

Rating	Description	Suggested allowance (%)
80–100	There are few, if any, challenges to living standards	0
70–80	Day-to-day living is fine, in general, but some aspects of life may entail problems	5
60–70	Negative factors have an impact on day-to-day living	10
50–60	Liveability is substantially constrained	15
50 or less	Most aspects of living are severely restricted	20

Calculating Host country benefits



Expatriate Package

Host Country Benefits

Host Country Benefits (Accommodation)

Accommodation

- Temporary Accommodation (92% provide prior to relocation)
- Assignment accommodation (76% provide)

	Percentage of Organisations
Accommodation Furnished	93
Accommodation partly furnished	45

- Expatriates contribute towards the costs of their accommodation in 24 per cent of companies
- Where accommodation provided is very basic (primitive) 45 per cent of participating organisations compensate expatriate assignees.
- Ceiling values for accommodation?
- Maintenance and utilities?
- Shipping costs?

Host Country Benefits (Accommodation)

Typical rentals in Lagos - (USD) *(As extracted from an “elliott Corporate Relocations” presentation attended in July 2012)*

Ikoyi and Victoria Island

3 bed apartments: \$70,000 - \$140,000 per annum.

Executive penthouses: \$100,000 - \$160,000 per annum.

4 – 5 bedroom homes: \$85,000 - \$150,000 per annum.

Lekki

2 bedroom apartments: \$40 - \$80,000 per annum

3 bedroom apartments: \$60 - \$100,000 per annum

4 – 5 bedroom homes: \$60 - \$120,000 per annum

Host Country Benefits (Travel)

Vehicles

- Vehicle Allowance (provided by 80% of organisations)

	Percentage of Organisations
Expatriates are able to use these vehicles for private use	75
There is a cost to the expatriates for the use of these vehicles	14
Car Allowance	30
Organisation ships vehicles to any location in Africa	10

Flights

Flight Arrangements	% of Organisations	Average no. of flights
Leave flights per year provided for single status expatriates	78	2
Leave flights per year provided for married status expatriates	75	3
Flights per year provided for all accompanying dependants	69	2

Host Country Benefits (Family)

Dependants

Spouse Allowance

- Dual Careers / loss of income
- Study / courses / job search

Education

Education	Percentage of Organisations
Pre-School	38
Primary School	63
Secondary School	61
Tertiary	13

45% of organisation place a maximum age limit on schooling assistance

Child care

Host Country Benefits (Leave)

Vacation Leave

Can vary by country and tends to vary by grade

Home leave

To visit family. In addition to vacation?

Emergency Leave

Compassionate leave, Sick leave

Home emergency

Rest and Recuperation

Rest and recuperation leave is additional leave granted to eligible individuals for working extended periods under hazardous, stressful and difficult conditions. Tends to vary by country.

Travel time

Host Country Benefits (Social security)

Medical cover and funding

Private medical schemes

Are dependants covered

Evacuation cover

Social security obligations (company usually covers)

Retirement Funding

Retirement benefits (home country)

Retirement benefit (host country)

International retirement fund

Social security obligations (company usually covers)

Life and accident Insurance

Are dependants covered

Host Country Benefits (other benefits)

Security

Guards, alarm system, armed response, driver/chauffer

Differs by country

Pets

Club membership

Club membership	% of Organisations
Professional bodies	75
Social Club	46
Sporting Club	69

Destination Services

Communication costs (e-mails, mobile and satellite phones)

DSTV, internet

Insurance on household goods

Clothing Allowance

Host Country Benefits (Home related services)

Typical costs in Lagos - (USD) *(As extracted from an “elliott Corporate Relocations” presentation attended in July 2012)*

Home related costs

Driver \$100 - \$200 per day

Nanny \$200 per month

Domestic cleaner \$200 per month

Chef \$700 per month

Service charge* \$20 000 - \$25 000 per year

Diesel for generator* \$12 000 per year

*The service charge would include utilities, sewerage, sanitation, security. If the property is in a compound it would also include the maintenance of the swimming pool and gardens.

Host Country Benefits (variable pay)



Sign-on or Retention bonus?

Project Bonus?

Performance bonus?

Incentive/commission?

Home Country Costs

Storage

- 54 % of participating organisations pay for the storage of expatriate employees' possessions .
- 10% of participating organisations' compensate for loss on disposal of their primary home at home base.
- Rental?
- Vehicle in home country.

	Percentage of Organisations
Organisation provides storage of vehicles at home base	23
Organisation compensates for loss on the sale of vehicles	4

- Other costs in the home country?

Post assignment costs

Re-employment

Counselling / orientation workshop

Relocation moving costs back to home country

Localisation

- Companies involvement / Policy
- Assistance / conditions of service change

In summary

Pre-Assignment Costs
Notional Home salary
Expatriate Allowances
Cost of Living Allowance*
Hardship and/or Quality of Living*
Site Allowance*
Mobility and relocation*
Assignment Allowance/incentive

In summary



Host Country benefits
Housing Allowance
Accommodation and Utilities
Household furnishing
Upset/Settling in Allowance
Vehicle / Transport / Flights
Club membership
Child Care
Education allowance
Spouse allowance
Destination Services (e.g. Communication)
Security
Leave
Tax Advice / Services
Social Security (Medical, Retirement)
Home Country costs
Variable benefits
Use of service providers



Thank you

