



SARA IMG

The “in’s” and “out’s” of a Global Mobility Policy

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Introduction



Presentation will be based on the results from our 2013/14 PE Corporate Services expatriate and in-country local salary survey

- Sample of over 1 500 expatriate packages
- 16 African countries
- Around 40 multinational companies provided information on Expatriate policies

Informal and interactive

Expatriate assignments are expensive



**Equitable and
consistent
approach to all
assignments**

**Full Cost of
the
Expatriate
Assignment**

Cost of employing an Expat

The combined average Annual Guaranteed Assignment package for an Engineer at GG12 level for Botswana, Mozambique, Tanzania and Zambia is US\$ 134 000 per Annum

Premium on In-local employees Guaranteed Package figures)

- Botswana (1.73 times)
- Moz (2.06 times)
- Tanzania (3.23 times)
- Zambia (2.31 times)

The expat figures are after tax and do not include Host country benefits and the costs of service providers.

Global HR Mobility Policy



- In how many countries do you employ expats?
- How many companies have implemented a Global Mobility Policy?
- Is this country specific?
- Which division or function is responsible for managing Expatriate assignments?



Contents of a policy document

- Statement of Policy, Intent and Business Conduct
- Starting the Assignment
- During Assignment
- Ending Assignment
- Definitions

Principles and Objectives:

- When do you employ expats?

Expats will be considered where special skills or knowledge cannot be found locally or to provide development opportunities for an employee.

- Duration of assignment / use of short term assignments
- Manage costs (*no benefits may be traded for extra benefits or cash alternatives if not used or if actual costs are lower than maximums allowed*)
- Consistency and fairness in application across countries.
- Equity with home peers and other Expats.
- Assist expats with decision making
- Repatriation / re-assignment
- Definition of partners (*married?*)
- Legal standing of policy document / notice period?

Starting an assignment

- Reconnaissance Visit / Pre Assignment Evaluation?
 - *Employee + Spouse?*
 - *Company expense*
 - *Duration? (1 week / 5 work days excl travel)*
 - *Co-ordinated by? (Expat Administrator in host country)*
- Work permits
 - *Local Immigration laws must be strictly followed*
 - *Company to assist and reimburse costs / Immigration specialist*
- Medical Examinations / Inoculations / Psychological Ass
 - *Encouraged / requirement for developing countries*
 - *Company to reimburse costs*
 - *What to do if employee or dependant has a medical condition*
- Language and Cultural training
- Orientation programs
- Shipment and Storage of Household goods

Does the company differentiate between when company sends an employee vs when an employee requests to go?

During Assignment

Expatriate Assignment Package

The policy should define how the company calculates an assignment package (E.g. The balance sheet approach). This must be consistent with the company's philosophy for e.g.

“Maintain consistency and equity with home country peers in terms of regular pay and with other expatriates in terms of assignment related benefits “

The policy should provide a broad overview as to what the objectives of the approach are e.g.

- 1. The base salary is based on salary ranges set in the home country***
- 2. It establishes a compensation level for the employee that is comparable to that of home country peers, and***
- 3. It enables the employee to typically maintain continued eligibility in home country benefit plans (e.g. pension).***
- 4. It facilitates re-entry into the home country by providing continuity of compensation.***

Balance sheet updates?

| Country Approach | % of Orgs |
|------------------|-----------|
| Home Country | 65 |
| Host Country | 23 |
| Combination | 12 |

During Assignment



Exchange Rate protection

Currency fluctuations are taken into account, and package reviewed in 51% of Co's

How often are Exchange rates reviewed and what triggers a review?

“The movement in the foreign exchange rate has to be more than 6% and has to be maintained for at least 4 consecutive weeks. This will then trigger a review in the balance sheet which will be effective the first day of the following calendar month.”

Dual Currency Remuneration

19 per cent of participating organisations remunerate their employees in dual currency.

Method of Payment (Split payments?)

What gets paid by home country vs host country payroll

Calculating Expatriate Allowances

Expatriate Package

| |
|--|
| Tax |
| Host Country Benefits |
| Location / Hardship Allowance |
| Home Country Salary (Non-Spendable Income) |
| Cost of Living Allowance |
| Home Country (Spendable Income) |

Calculating Expatriate Allowances



Expatriate Package

| |
|-------------------------------|
| |
| |
| Location / Hardship Allowance |
| |
| Cost of Living Allowance |
| |

Expatriate Allowances



Expatriate allowances (useful definitions)

Cost of Living Allowance - A cash allowance paid to account for the cost of living differences between living at home and living in the host location. This enables the Expatriate assignee **to maintain their purchasing power**. Calculated by applying a “cost of living index” or % to the “spendable income” portion of the equivalent of the Expatriates home salary.

Hardship and/or Quality of Living - A cash allowance paid to compensate for the burden and risk of living and working in foreign countries with unusually stressful or dangerous conditions. This includes climate, socio-political risks, lack of social infrastructure. Usually calculated as a % of the full home salary.

Site Allowance - A cash allowance paid to compensate for the inconvenience of temporarily living on location at a site.

Mobility and/or Relocation - A cash allowance/lump sum/additional funding to compensate/reimburse expatriate employees for the inconveniences that arise from transferring from one foreign assignment to another or the cost of relocating. (Moving a family anywhere, especially overseas, involve costs which haven't been considered.)

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



| Allowance | % of organisations offering in home base build up | % (ave) of Basic Salary |
|---|---|-------------------------|
| Hardship / Location (Quality of Living) | 79 | 21 |
| Mobility / Relocation | 21 | 10 |
| Rest and Recuperation | 35 | 18 |
| Cost of Living Allowance | 66 | 27 (of Net Income) |
| Site Allowance | 17 | 5 |
| Other | 32 | 18 |

Calculating Host country benefits



Expatriate Package

| |
|-----------------------|
| |
| Host Country Benefits |
| |
| |
| |
| |
| |

Host Country Benefits (Accommodation)

Accommodation

| HOST COUNTRY ACCOMMODATION | Percentage of Organisations |
|--|-----------------------------|
| Provide Accommodation | 73 |
| Housing Allowance | 27 |
| Settling-in allowance /upset allowance | 21 |

- Ceiling values for accommodation?
- Maintenance and utilities?
- Shipping costs?
- Transportation in the host country

Home Country Costs



Storage

- 26 % of participating organisations pay for the storage of expatriate employees' possessions .
- 14% of participating organisations' assist with rental of their primary home at home base.
- 12% of participating organisations' assist with sale of their primary home at home base.
- Vehicle in home country?
- Other costs in the home country?

Host Country Benefits (Flights)



Flights

| Flight Arrangements | % of Organisations | Average no. of flights |
|---|--------------------|------------------------|
| Leave flights per year provided for single status expatriates | 87 | 2 |

Flexibility of Flights

What about accompanying dependants?

What Class flight?

Destination?

Excess luggage

The assignment costs which is outsourced the most to service providers

Tax advice / services

60 per cent of participating organisations provide tax advice to expatriates

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 (24% 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.

Host Country Benefits (Family)

Dependants

Spouse Allowance

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

Education

| Education | Percentage of Organisations |
|------------------|-----------------------------|
| Pre-School | 65 |
| Primary School | 75 |
| Secondary School | 75 |
| Tertiary | 13 |

52% 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 (other benefits)

Security

Guards, alarm system, armed response, driver/chauffer

Differs by country

Pets

Club membership

% of Organisations

| | |
|---------------------|----|
| Professional bodies | 51 |
| Social Club | 38 |
| Sporting Club | 18 |

Destination Services

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

DSTV, internet

Insurance on household goods

Clothing Allowance

Ending the Assignment

On completion of assignment

Similar planning to pre assignment

The responsible office shall determine the estimated completion date of any international assignment. If possible, the employee should be notified approximately two months prior to scheduled completion of assignment to begin making plans for re-assignment.

Re-employment and Repatriation

Assist employee with move

- Pre – repatriation trip
- Ship goods / removal from storage
- Relocation allowance

Localisation Policy

- When does the employee lose their secondment conditions?

Involuntary termination



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Thank you

