



**RES
FORUM** 2010 ANNUAL REPORT

SURVEY RESULTS ON GLOBAL MOBILITY

WRITTEN & PRODUCED BY ALTAIR GLOBAL RELOCATION AND THE RES FORUM



The logo features the word "RES" in large, bold, black letters, with a yellow curved arrow looping around it from the bottom left to the top right. Below "RES" is the word "FORUM" in a smaller, bold, black font. To the right of "FORUM" is the text "2010 ANNUAL REPORT" in a bold, yellow font.

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The RES Forum is an independent community of in-house Global Mobility and International Human Resource professionals. The Forum is not influenced by any external parties or third party vendors, and is characterized by the high level of trust, participation, and collaboration amongst its members.

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2010 Annual Report

FOREWORD

When I was asked to become a strategic advisor for the RES Forum last summer I did not have to consider my answer for too long. Like those Human Resources professionals who want to join the network, I knew that the RES Forum was something worthwhile to be involved in. The members of the RES Forum Team – David, Jose, Andrea, and Toby – have developed and put the basics in place for an excellent and valued resource, and their ongoing pro bono work for the good of the Forum and its members is invaluable and highly admirable. This, together with the ever increasing number of members, gives the RES all the potential to live up to its objectives and deliver its intended benefits to members.

In my role as the leader of a similar professional group in Finland, I have learnt how important, beneficial, and valued collegial networks are for sharing information in the area of cross-border Human Resources and Mobility. To illustrate, last spring I interviewed all the members of my group, and, amongst other questions, asked them why they want to continue their paid membership. “The network and the value of the network,” was the instant response; that is to say, being able to discuss challenging cases with peers, getting information without having to contact consultants, sharing ideas and tools, and so on. Many members of my forum, and I imagine the RES Forum also, do not have in-house colleagues who are practitioners in international Human Resource Management, and that of course increases the importance of membership in groups like the RES Forum.

Having seen what you, the members of the RES Forum, have been doing (including surveys, discussions, and collaboration), it is apparent that you have taken a massive step towards making the RES vision become reality. The RES Forum is already a superb network in the area of cross-border Human Resources and Mobility, and as Members, each one of you has the power to make it even more fabulous by being actively involved!

Marja Tahvanainen, D.Sc. (Econ.)

**Adjunct Professor, Aalto University School of Economics
Founder and Chairwoman of the IHRM Club**

Marja Tahvanainen is an Adjunct Professor of International Human Resource Management at Aalto University School of Economics in Finland, and has been published in journals such as International Journal of Human Resource Management, Human Resource Management, European Management Journal, and International Business Review.

She is co-founder of, and content provider for, the IHRM Club, a high level forum for Human Resources professionals at international companies in Finland, encouraging professional development, networking, and benchmarking.

Marja is also a member of the organising body for Henry Fellows, a professional forum for senior Human Resources professionals in Finland, consisting of approximately 200 members.

1: Talent Management

Talent management within the Mobility context has been a long held area of discussion within multinational organisations.

Attracting, developing, engaging and retaining talent is a key concern for many organisations within the domestic arena, and those companies with a multinational focus are increasingly keen to understand how international assignments can be used to this end.

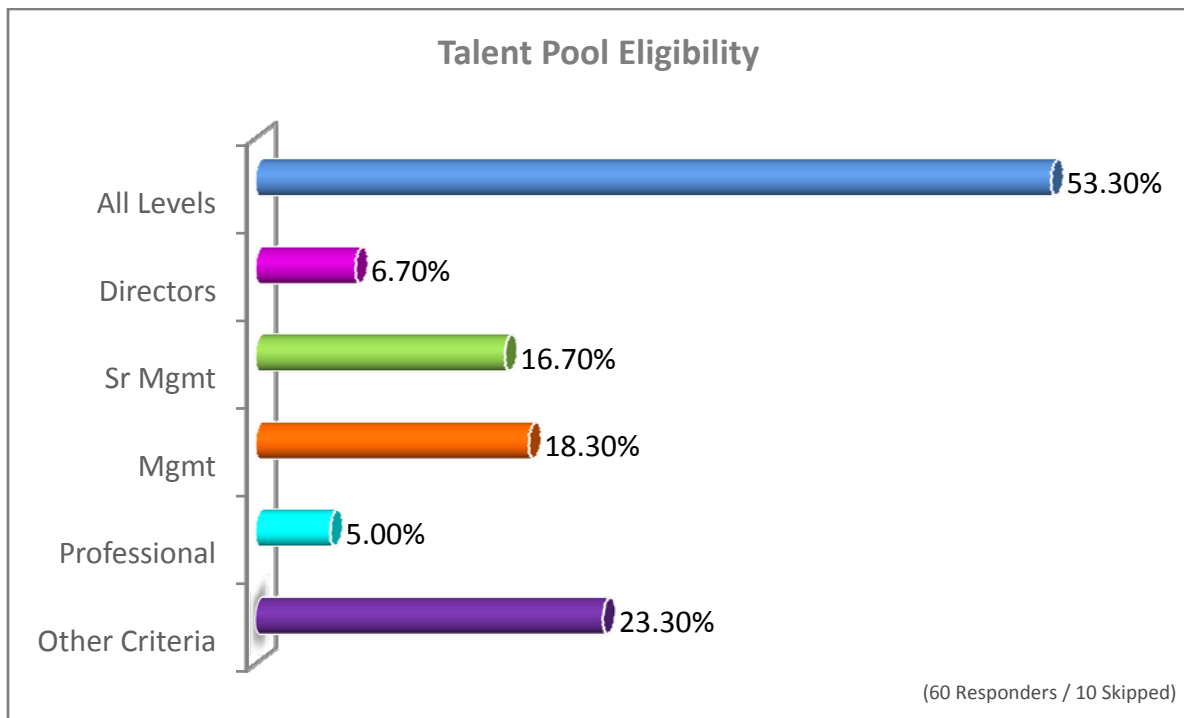
Having defined that assignments are essentially about developing talent, some interesting questions surface:

- Should all assignments be considered the same in terms of what they offer organisations?
- Consequently, should all assignees be supported equally from a policy, compensation, and benefits point of view?
- How do organisations effectively track talent during the assignment cycle?

Chapter One gauges the thoughts of the RES Forum membership on these very areas, producing some predictable and also unexpected results.

Talent Management: Selection

As illustrated below, a majority of the respondents to the *2010 Talent Management* survey¹ indicated that when selecting employees for assignment, no specific job level was selected more often than any other, suggesting an egalitarian approach to assignee selection dependent on a match between assignment requirements and an individual's abilities – and where global opportunities are available at all career levels. However, significant percentages choose candidates from a specific management level, and these respondents were almost equally split: 18.3% from managerial levels and 16.7% from senior managerial levels.



Almost 24% indicated that a specific career level or job title was *not* a pre-requisite, and thus not significant to assignee selection.

In the *2009 Talent Management* survey,² approximately 54% reported global opportunities offered as early as graduate level, which corresponds with the 2010 “all levels” eligibility finding. However, these younger assignees tend to receive lower benefit packages and are fewer in number than their more tenured colleagues.

(46 Responders / 1 Skipped)

More than 53% of participants in that survey reported a solid 10% of senior management on assignment, and almost one-third of those believed that the assignment pool should comprise twice that number of experienced managers. Survey comments showed that senior employees not currently on long-term assignment may actually be quite mobile in other ways, via frequent international travel and short-term assignments.

(47 Responders / 0 Skipped)

In the 2009 *Hiring & Rewards* survey,³ when advertising open positions, 44% immediately post jobs internationally. Amongst those respondents, 65% do not restrict employee applications to or from any specific location. (57 Responders / 0 Skipped) (31 Responders / 26 Skipped)

Before accepting an assignment, respondents indicated that the top four resources available to a candidate to assist in their decision included:¹

Mobility Team Briefings	81.8%
Discussion with Other Expats	47.0%
Company Intranet	42.4%
Assignment Brochure	30.3

(66 Responders / 4 Skipped)

Refusal of Assignment

Not surprisingly, the most common reason for declining an assignment was the perceived negative impact on a spouse's career.²



Interruption of Partner's Career: 68.9%

Loss of Partner's Income: 57.8%

(45 Responders / 2 Skipped)



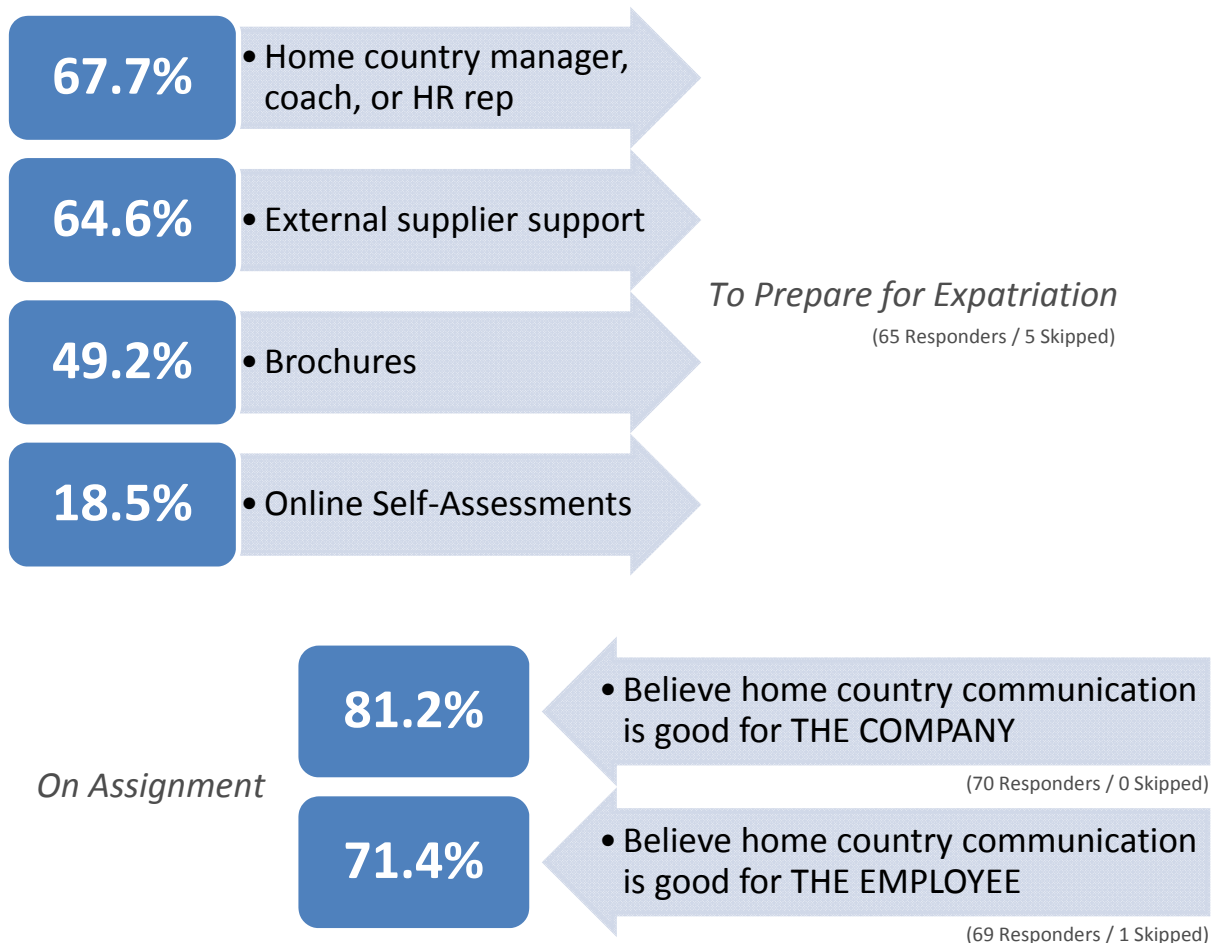
Interestingly, several respondents commented that the company's own culture and/or cost concerns were an additional impediment to global mobility:

- *Barriers are more on the company end . . . cost and culture.*
- *(Issues with) getting employees engaged in the value of mobility when this wasn't on the horizon previously.*
- *Cost to organisation, lack of clear mobility / talent management.*
- *From company perspective, the cost . . . in current economic climate.*
- *Expatriate packages are expensive.*
- *Cost restrictions.*



Talent Management: Support

Also in the 2010 *Talent* survey,¹ we reviewed the programmes in place to support current and future assignees. A great majority of respondents indicated agreement that a personal level of support is advantageous both before expatriation and whilst on assignment.



To further promote the importance of formal support, respondents indicated reliance on multiple resources to launch assignees in their new roles, including on-boarding programmes (47.3%), assignee networks within the company (45.5%), and formal host country sponsors (41.8%).
(55 Responders / 15 Skipped)

This level of support does not seem to extend beyond the assignee's introduction, given that long-term career mentors are provided by just one quarter of the companies in the survey; and that career management is supported mainly through performance reviews on annual (79.4%) and semi-annual (25%) rotations.
(68 Responders / 2 Skipped)

Remarks regarding methods utilised to maintain contact and support the assignee provided further evidence of detachment between assignees and their home country organisations. In many instances, it is the employee who is tasked with preserving relationships and visibility; whilst other companies either lack any semblance of a communications process or rely on HR

functions such as the aforementioned performance reviews. This is surprising given that so many believe in the importance of home country communication, for both the good of the company (81.2%) and the employee (71.4%). There is clearly a disconnect between what assignment managers know to be important for assignee success and what companies are actually doing.

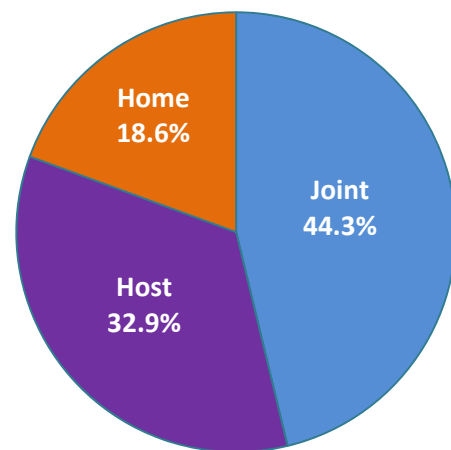
Career Management on Assignment ¹

Talent management of an employee on assignment is often a joint responsibility owned by both home and host (44.3%), but frequently remanded to the host organisation (33%). Less than 20% report the home country as responsible *whilst the employee is on assignment*.

Additionally, 31% report job guarantees as a means to manage expat careers, assuring employees of a home country position, if not an actual promotion, upon completion of a foreign assignment.

(68 Responders / 2 Skipped)

Career Responsibility



(70 Responders / 0 Skipped)

Assignment Pitfalls ¹

Not surprising to those familiar with the arc of a typical international posting, personal/family issues are cited as the top reason for assignment failure.

When asked to name the top three expatriate “derailers,” respondents overwhelmingly listed problems such as dual careers, families not settling-in, and inability to adjust as the most common reasons. Issues with job performance and unmet company/employee expectations were clearly important, but of slightly less significance according to responses.

#1 Pitfall	56%	Personal/Family Issues
	33%	Company Expectations/Job Performance Issues
	11%	Cultural Maladjustment
#2 Pitfall	49%	Company Expectations/Job Performance Issues
	43%	Personal/Family Issues
	8%	Cultural Maladjustment
#3 Pitfall	65%	Company Expectations/Job Performance Issues
	19%	Cultural Maladjustment
	16%	Personal/Family Issues

(56 Responders / 14 Skipped)

Talent Management: Repatriation

Career Development Post-Assignment ¹

Ownership of the assignee's next career move usually shifts to the home country organisation (46.3%) with respondent comments indicating that involvement in the decision from corporate headquarters or senior management is common. (67 Responders / 3 Skipped)

What is concerning, however, is the number of companies who lack a formal process for identifying an employee's next role within the organisation. Given the substantial amount of time and money that companies have committed to their international assignees, it is surprising that so many are leaving employees' future development to chance – and risking the loss of talent and experience to competitors in the event that an in-house position cannot be found.

In response to an open-ended question, *“Please outline what tools and processes you use to track and manage identification of new assignments and the transitioning of employees to these assignments,”* over **one-quarter** of respondents indicated they had **virtually no formal processes or tools** in place to accomplish this important task.

Almost 33% place the responsibility for finding another position squarely on the assignee. One response implied that the onus is on the employee to find and apply for open positions, and others listed job postings and vacancy advertisements as resources for career development.

Amongst those who *do* have assignee support procedures in place, common tools include:



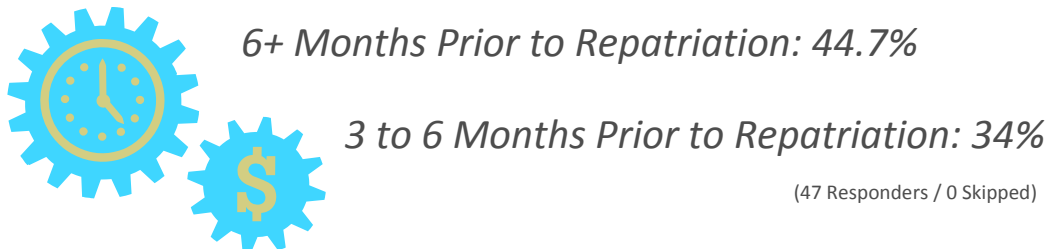
- Succession planning
- Tracking mechanisms that match people to roles
- Lists or spreadsheets shared amongst business units
- Talent management reviews

(38 Responders / 32 Skipped)

One respondent said of their spreadsheet method, *“Although this is a simple approach, it makes sharing the information with relevant stakeholders on a monthly basis very easy, and they can then manipulate this central record for their own means, i.e., rather than having to access a database they are not used to.”*

Repatriation Planning²

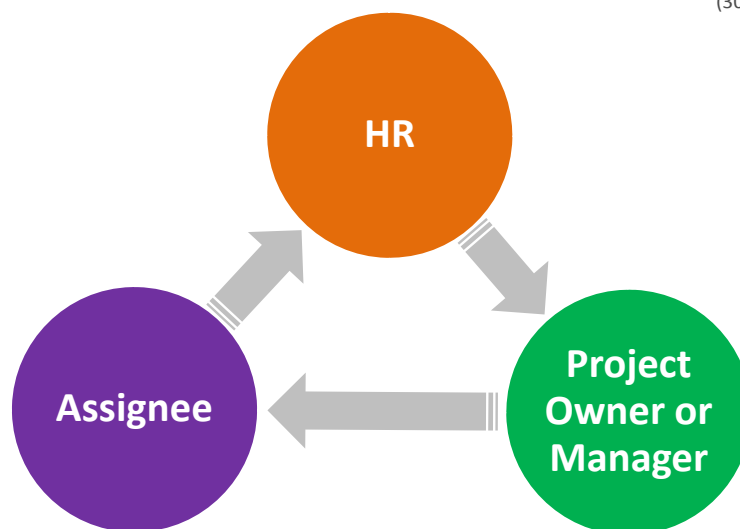
Overwhelmingly, planning for repatriation begins well before the end of an assignment, with most companies (44.7%) initiating assessments more than six months in advance.



A smaller number (19%) of those surveyed plan for repatriation less than three months prior to assignment end; whilst less than 5% report making repatriation plans *before* the assignment starts.

When looking to manage the repatriation process, Human Resources' involvement is the common denominator amongst almost one-third of responses. Cooperation between home country HR, business unit managers, and assignees is seen as a key element to repatriation.

(30 Responders / 17 Skipped)



A number of written responses submitted in the *2009 Talent Survey* indicated that some do not employ a formal process for repatriation planning, which corresponds with the lack of proper career development processes discussed in the *2010 Talent Survey*.

2: Assignment Types

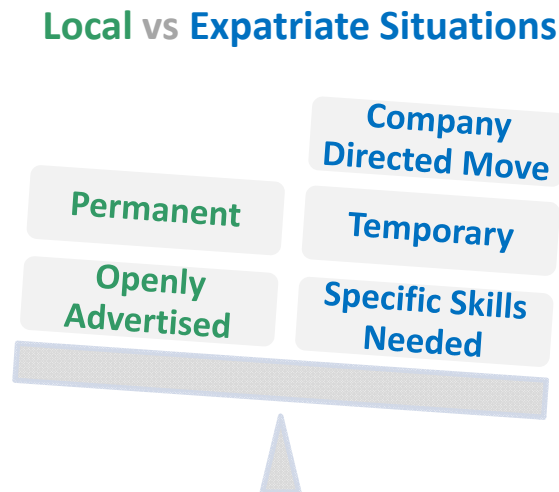
Unsurprisingly, discussion amongst RES Forum members around the design of assignment policy framework is both recurrent and varied. Designing and operating effective transfer and assignment policies that adequately address the needs of the assignee and the business is, in theory, one of the few “controllables” in the mobility domain, and easier said than done.

The different drivers behind an assignment (permanent shift in career centre location, business-critical/strategic, project-based, developmental and personal accommodation, etc.) have fuelled an ever increasing segmentation of assignment policy types. The days of organisations operating solely a tax-equalised, balance sheet approach to manage their assignment population seem far away, with this evolution symptomatic of the fluidity and flux in the corporate milieu. The growing phenomena of commuter, intra-regional, and local plus assignments would also seem to bear testament to this.

Preserving the integrity of an assignment policy, balancing the cost to the business versus the value delivered to the assignee, and retaining an appropriate degree of transparency are all key factors in effectively managing assignments and the different assignment types. Perhaps now more than ever, the onus is on mobility managers to offer understanding and provide vision when designing assignment policies; regular benchmarking of data, such as the surveys that are surmised in this chapter, can certainly help with the former if not the latter. The movement of an organisation's workforce may be likened to the movement of chess pieces across the board – success is often the product of much forward-thinking and an understanding of the potential pitfalls that exist.

Assignment Type: Deciding Between Local vs. Expatriate Terms

Several general localisation surveys were conducted in 2009 and 2010 to determine how companies were distinguishing between expatriate terms versus local terms in regards to application, benefits provided, and other considerations. For a majority of respondents to the 2010 survey on *Expat vs. Local Terms*,⁴ there are several transfer situations that fall clearly into one category or the other.



Local Terms are Applied to:

- 89.6% Permanent Moves
- 52.1% Openly Advertised Positions
(Employee Asked for Move)
- 41.7% Business Unit Cost Concerns

(51 Responders / 16 Skipped)

Expatriate Terms are Applied to:

- 58.8% Temporary Positions
- 58.8% Company-mandated Moves
(Company Asked for Move)
- 51.0% Specific Skill-Set Needed

(48 Responders / 19 Skipped)

These results coincide with *Local-Local Policy* survey⁵ findings from March 2010, in which a resounding majority of respondents indicated that their local policies would be applied to a permanent shift in career centre, whether the move was employee initiated (85.7%) or business driven (71.4%). For many, the top differentiator seems to be the permanence of the move.

(14 Responders / 0 Skipped)

When other considerations (such as cost, business need, or incentive to move), are taken into account, there is some concern on the part of our respondents regarding an inequity of benefits amongst employees; i.e., the best negotiators receive the best deal.

“As the different business divisions are picking up the cost, it is up to them on what terms the individual goes . . . very subjective!”

Taken from the 2010 *Expat vs. Local* survey, a compilation of suggestions to mitigate this risk included calls for clearly defined policies and transparency throughout the organisation on how decisions are to be made and the costs involved:⁴

- *Clearly identify which policies should be used . . . and stop negotiations until the mobility function is informed.*
- *Clearly define the policy for each type of move.*
- *Provide a simple decision matrix to determine move type.*
- *Clarify the rationale for the differences and involve managers in that clarification process.*
- *Don't allow line management to get involved in the package.*
- *Don't allow exceptions.*
- *Transparency . . . when showing how a package is calculated, there is less room for the employee to manoeuvre or negotiate.*
- *Provide cost projections in order to visualise the costs to the business . . . not many realise the cost for an expat.*



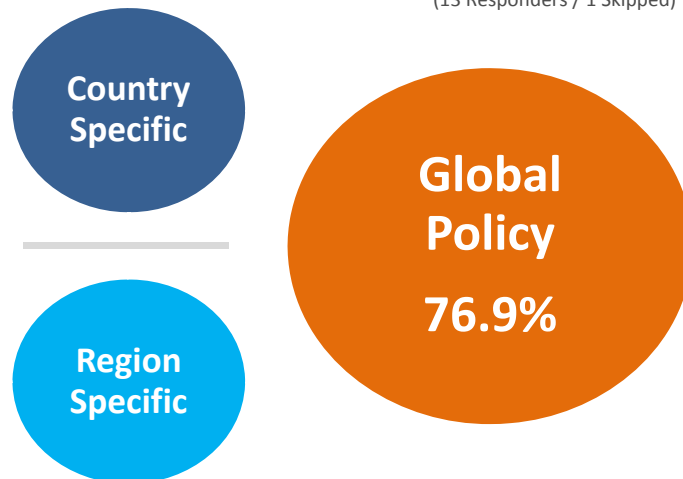
When asked what is seen as the greatest challenge in deciding whether to apply expatriate or local terms, 71% sited a lack of understanding amongst Human Resources and line management. (45 Responders / 22 Skipped)

Given this belief, it is interesting to note the same survey found that these local move decisions are being made solely by HR at 25% of respondent companies, or through a combined decision between HR and International Mobility at 59.6% of companies. The International Mobility function, arguably the group possessing the greatest understanding of the ramifications of such a decision to employee and company, is solely responsible for local move determinations just 15.4% of the time. (52 Responders / 15 Skipped)

Applying Local Policy

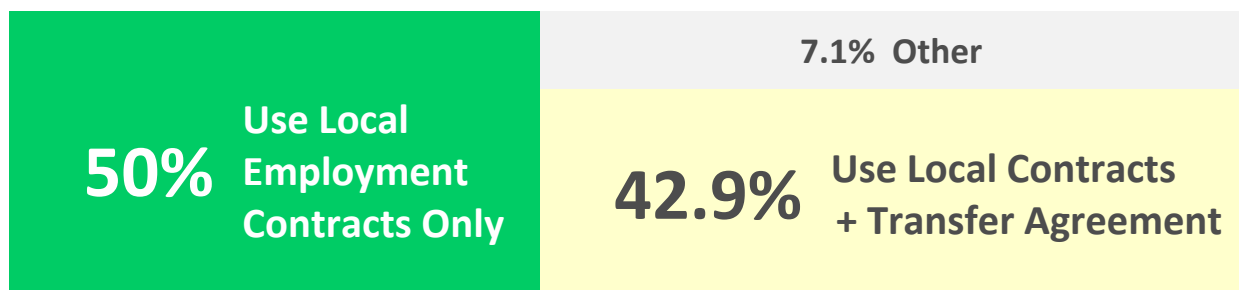
Once a decision has been made to apply a local, permanent transfer policy, participants in the 2010 *Local-Local Policy* study ⁵ indicated that a considerable majority (76.9%) employ one policy consistently across all locations, whilst the remainder were split between the use of regional and country-specific policies. This mirrors a 2009 *Localisation* survey ⁶ in which 76.9% of respondents also reported use of a global localisation policy.

(13 Responders / 1 Skipped) (39 Responders / 0 Skipped)



Other Local Policy Considerations

Agreements required of the transferee as part of a localised transfer often include a local employment contract, transfer agreement, and payback agreement. In the *Local-Local Policy* survey, ⁵ participants were roughly split between the agreements required:



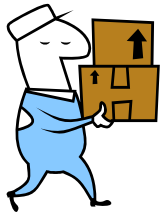
(14 Responders / 0 Skipped)

However, almost three-quarters (71.4%) of survey respondents agree on the use of claw-back agreements to recoup expenses in the event of an employee's resignation within a one year (70%) or two year (30%) period.

(14 Responders / 0 Skipped)

Local Policy Terms

Also discussed in the *Local-Local Policy* survey ⁵ were the **most frequently provided local policy relocation benefits:**



Surface Shipment of Household Goods	92.9%
Immigration Assistance	92.9%
Air Travel	85.7%
Temporary Accommodation	85.7%
Tax Preparation Assistance (year of transfer)	78.6%
Miscellaneous Allowance	78.6%
Air Shipment of Household Goods	78.6%

(14 Responders / 0 Skipped)

There is also clear agreement with regards to handling vacation time under a permanent transfer policy, with almost 92% indicating that excess vacation is paid to the employee in the home country prior to transfer. Only 8.3% reported that employees are allowed to transfer their vacation time to the host organisation.

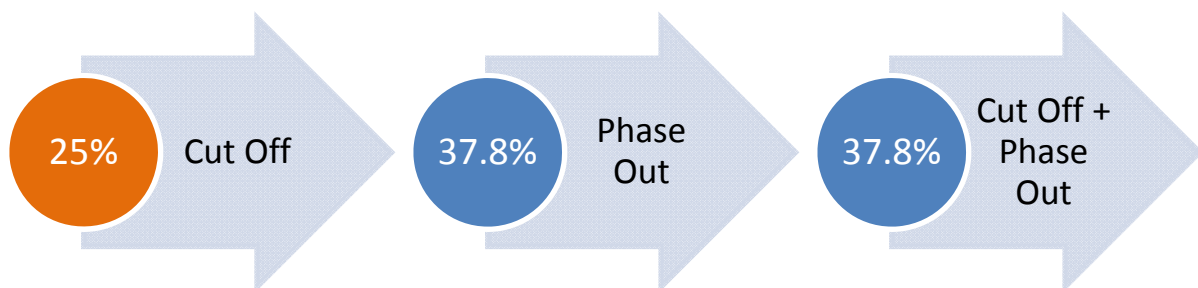
(12 Responders / 2 Skipped)

Localising an Expatriate

In situations where an international assignee is localised after being treated as an expatriate, the most commonly used timing benchmarks are three (28.2%) and five (59%) years, according to the 2009 *Localisation* survey.⁶ Methodology in these cases is equally divided, with respondents favouring both a phase out approach and a combination of phasing out some benefits whilst cutting off others. One-quarter simply cut-off benefits upon localisation.

(39 Responders / 0 Skipped)

Benefit Methodology Expatriate to Local Terms



(37 Responders / 2 Skipped)

For companies that do not cut off expatriate benefits upon localisation, **continuation of assistance** often includes: (27 Responders / 12 Skipped)

Tax Return Assistance (new home)	59.3%
Assignment Housing	55.6%
Tax Return Assistance (previous home)	48.1%
Dependent Schooling (language different from previous home)	48.1%

Almost one-third also report providing benefits such as medical coverage and previous home country pension, whilst one-quarter continue provision of dependent schooling (where there is *no* language difference). Less than 10% continue allowance for COLA, hardship, etc.

Additionally, **new benefits** are often provided to assignees being localised, with the vast majority offering: (29 Responders / 10 Skipped)

Final Tax / Social Security Advice Session (previous home)	79.3%
Final Shipment of Goods to New Home	72.4%
Final Tax / Social Security Advice Session (new home)	69.0%

Approximately one-third of respondents also offer a relocation allowance and one-quarter offer additional language lessons to the employee. A small number of companies offer additional language lessons to the family (13.8%) and spousal employment support (7%).



Other Localisation Considerations

The *Localisation* survey ⁶ also found clear agreement that issues such as salary, employment contracts, social security plans, and pensions should be decided based on new home country norms.



(38 Responders / 1 Skipped)

Although almost 87% of respondents indicated basing salary on the local market rate, open comments provided additional insight:

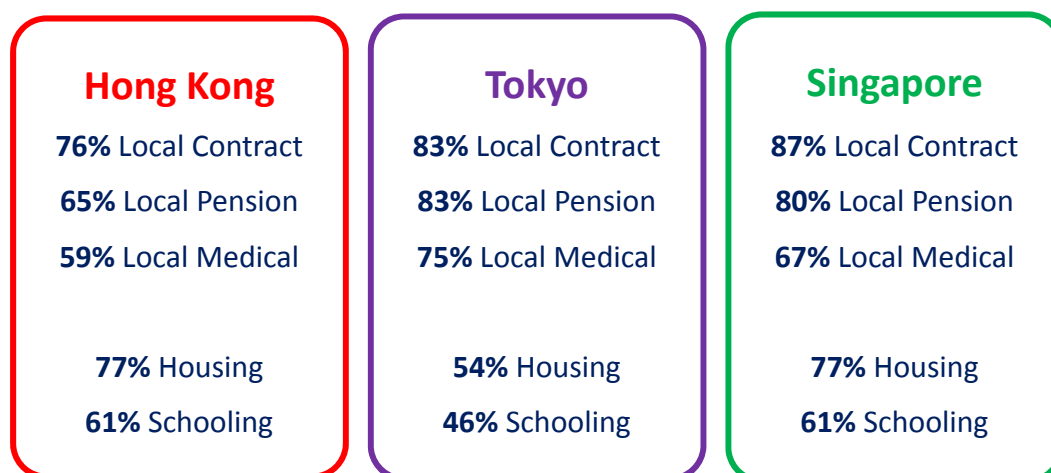
- *(Local salary) is easier to maintain when assignees have localised to Canada, but we are yet to localise in Asia.*
- *(We offer) the salary that the host country is willing to pay and the employee is willing to accept, usually higher than local market rates but lower than their previous home country salary.*
- *Depends on region: North America and Europe = home salary; Africa, Latin America, APAC = local salary.*

Spotlight on Local Plus Plans in Asia

Local plus plans may be offered from the outset to an international employee making a long-term or permanent move, or used to transition an assignee from expatriate terms to a more limited plan.

Of the respondents to the 2010 *Local Plus Asia* survey ⁷ who currently have assignees in Hong Kong, Tokyo, or Singapore (33% of participants), the typical structure for a Local Plus package in these cities combines local salary (71.4%) and pension plans with some assistance for high-cost housing and school fees. However, the “plus” benefits are usually phased out (77.8%) over time.

(21 Responders / 33 Skipped) (18 Responders / 36 skipped)



(20 Responders / 34 Skipped) (13 Responders / 41 skipped)

Assignment Type: Career Expatriates

Slightly more than one-third (38%) of participants in the 2009 survey on *Career Expatriates*⁸ reported that their companies have career expats pools. Additionally, for 52% of these respondents, their career expats comprise 25% or less of the total assignee population.

Only 32% of respondents indicate that their talent management strategy is aligned with their career expatriate pool. For the majority, expatriate assignments are defined according to two or three expat categories (59.4%). Maximum assignment duration falls in the three to five year range for 82.5%. (64 Responders / 0 skipped)



Assignment Duration Maximums

20.6% 3 Years
 11.1% 4 Years
 50.8% 5 Years

(63 Responders / 1 skipped)

Salaries for global expats are established through a home country balance sheet approach for an overwhelming 74% of respondents, whilst 15% indicate their expats receive global salaries adjusted for host country norms; *this split between salary calculation methods is evenly balanced (44.4% / 44.4%) for respondents who operate a global nomad pool (14% of survey participants)*. (27 Responders / 37 skipped) (9 Responders / 0 Skipped)

Furthermore, 63% report that career expat salaries are negotiable, either within a specified range (51.9%) or with unspecified leeway (11.1%). Interestingly, 73% report that expatriate positions are *generally not* filled through external hires, while another 13% report that an external hire would *never* be made for an expat position. (27 Responders / 37 skipped)
(30 Responders / 34 Skipped)

At the end of an international assignment, only 23.4% report that a specific job is guaranteed to the assignee, with 70% replying that no guarantee is made.

Post-Assignment Job Guarantees

- No Guarantee 42.2%
- Next Assignment Facilitated, but No Guarantee 28.1%
- Specific Job Guarantee 23.4%



(64 Responders / 0 skipped)

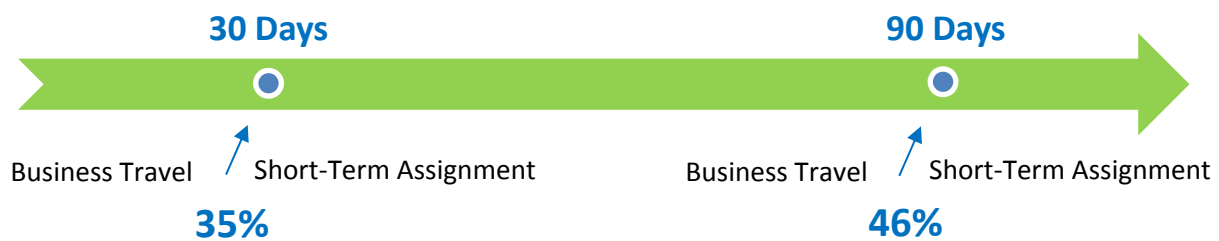
“Jobs cannot be guaranteed . . . the only real commitment is a right to return to the home location.”

Assignment Type: Business Travel & Short Term Assignments

Discussion of assignment strategy would be incomplete without looking at international business trips versus temporary or short-term assignments.

Based on the 2010 *International Business Trips* survey,⁹ it is fair to say that common practice amongst RES Forum member companies is to establish a threshold of days spent in a foreign location after which business travellers become subject to “short-term assignment” policies.

(55 Responders / 2 skipped)



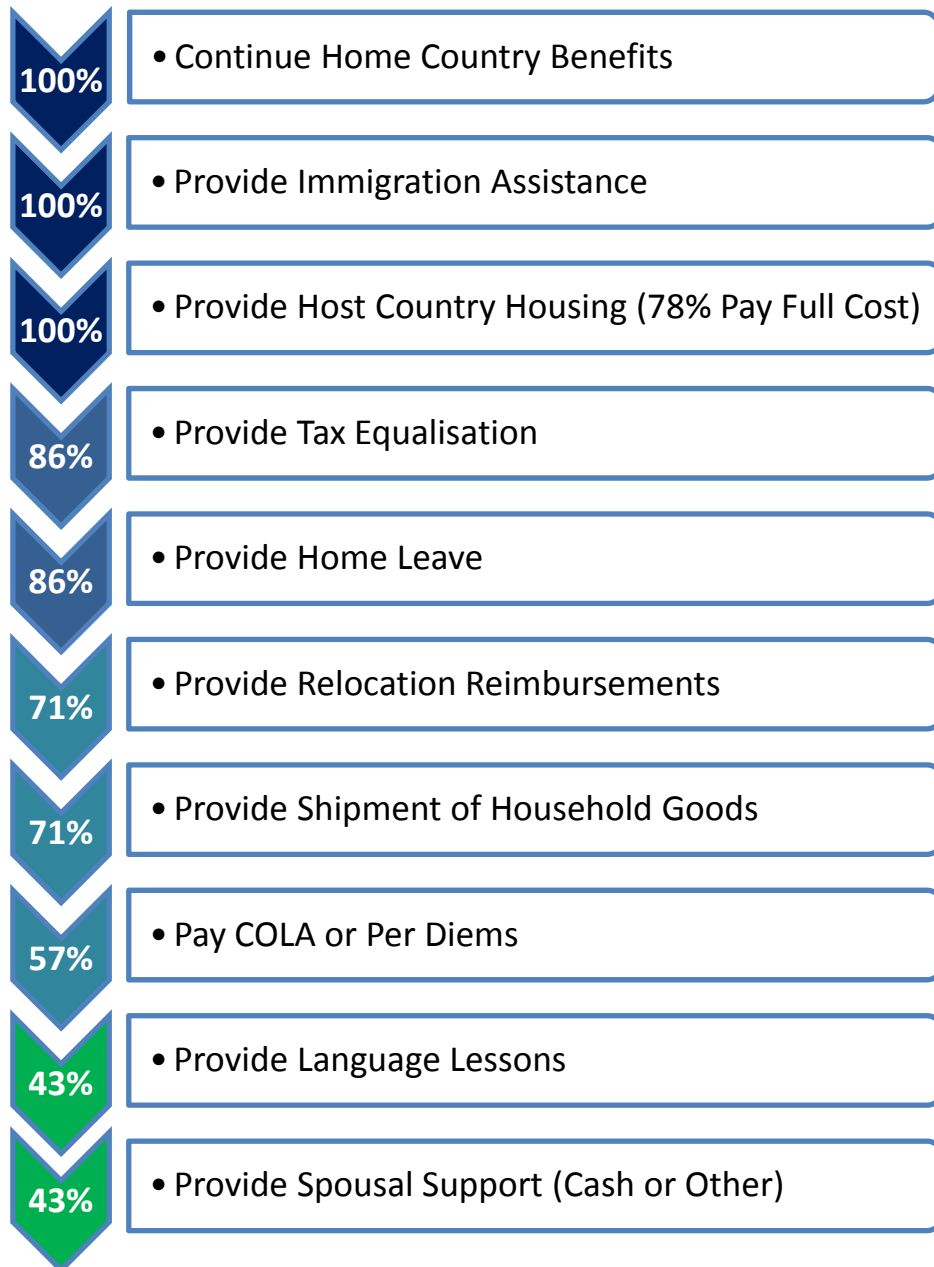
Business Travel Policy Terms

According to the same survey, a majority of respondents offer business travel policies that fit the following profile. Also, for business trips that are longer than one week but too short to classify as short-term assignments, almost 93% do not provide any additional incentives or allowances to the employee.

69.1%	Reimburse Actual Costs	
	32.7% Provide a Per Diem	(55 Responders / 2 skipped)
77.4%	Do Not Provide Overtime Pay	
	11.3% Pay Overtime Dependent on Seniority	(53 Responders / 4 skipped)
53.5%	Do Not Provide Time Off in Lieu of Overtime	
	32.6% Pay Time Off in Lieu of Overtime	(43 Responders / 14 skipped)
66.7%	Do Not Provide Hardship Allowance for Difficult Environments	
	31.5% Pay a Hardship Allowance	(54 Responders / 3 skipped)

Short-Term or Temporary Policy Terms

Although just 4% of respondents to the 2009 survey on *European Intra-Regional Mobility Policies*¹⁰ indicated the use of an intra-regional temp-assignment policy **specific to Europe**, the results provided a snapshot of what many consider to be standard, short-term assignment benefits. Interestingly, 28% of respondents utilise only one international assignment policy, whilst 21% operate with more than four such policies. (53 Responders / 1 skipped)



(7 Responders / 47 skipped)

3: Remuneration

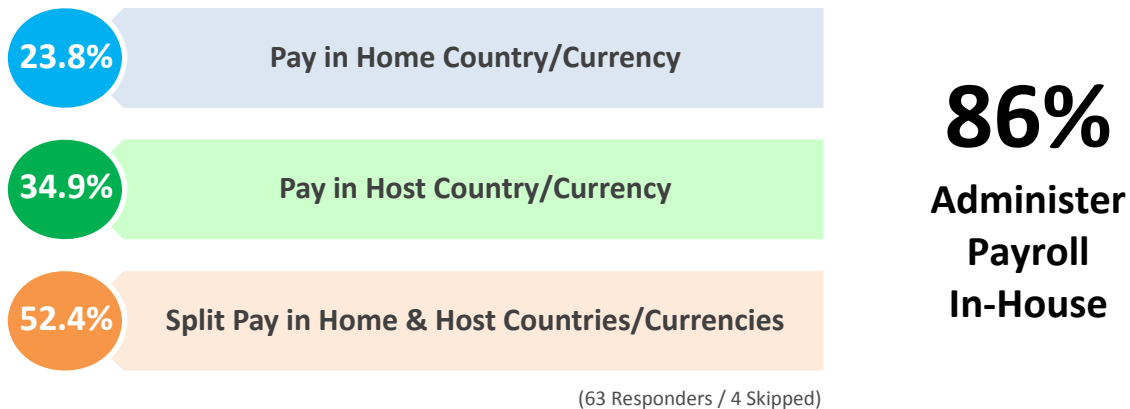
As the “corporate belt” continues to tighten in response to the current global economic climate, the emphasis on how companies look to attract and retain the right people through the reward package structure becomes ever more important. This is particularly relevant when those employees become internationally mobile, as their cost base typically rises and is more visible to those charged with justifying the bottom line. Throughout this report, it is evident that organisations still consider mobility to be a key element in the success of their global business strategy. This chapter on remuneration provides details on the different reward methodologies used by organisations to temper this requirement whilst balancing costs and meeting the needs of their international employee cadre.

Unsurprisingly, we find that most companies are looking to reduce their overall cost base and are stripping away many of the non-core perks associated with international assignments; however, they still see a clear need to maintain the key essentials required to support expatriate staff. This is still often attained by using complex cost of living and tax modelling to ensure spending power parity for the assignee, even when that is negative; but more and more, organisations are also looking at alternatives to this traditional approach. There is no doubt that this change is being led by a stronger requirement to understand the true drivers behind the assignment and the objectives it sets out to achieve; this, in turn, creates the ability to be more innovative in structuring a package to meet the actual needs of both the assignee and the organisation.

Overall, the way the reward is positioned in response to this requirement is more important than ever in contributing to the success of the assignment.

Expatriate Compensation

Respondents to the 2009 *Expatriate Payroll Practices* survey ¹¹ indicated three preferred methods for administering expatriate salaries:



A great majority (86.4%) of participants report that their company manages expatriate payrolls in-house, and 93.4% re-charge assignment costs to the cost-bearing organisation when benefits are administered in an alternative location. (66 Responders / 1 Skipped)

As briefly discussed in the previous chapter, according to the 2009 *Career Expatriates* survey,¹² an overwhelming 74% of respondents establish salaries for their **career expats** through a home country balance sheet approach, whilst 15% indicate their expats receive global salaries adjusted for host country norms. Furthermore, 63% report that career expat salaries are negotiable, either within a specified range (51.9%) or with unspecified leeway (11.1%). (27 Responders / 37 Skipped)

Split Payrolls

A slight majority (52.4%) of respondents to the *Expatriate Payroll Practices* survey indicated that they offer a split (home / host) payroll approach to delivering expatriate salaries. (63 Responders / 4 Skipped)

With the exception of those countries which require salary to be delivered off-shore from the assignment location (historically hardship locations), splitting an assignee's net salary between a home and host location is a fundamental aspect of protecting net pay.

Referring back to the balance sheet approach, there is generally a part of salary which it is assumed is used to settle ongoing liabilities in the home country (e.g., mortgage payments). As a consequence, a host cost of living adjustment is typically applied to the host spendable element of net income – not the whole of net income received, given that not all net income is spent in the host location.



“Salary paid in home; expat allowances paid in host.”

“Salary less deductibles . . . delivered from home payroll. Host country allowances delivered in host country.”

“Different setups for country, tax structure, or tax savings.”

“In general, we apply home payroll with shadow payroll in host for salary components. Allowances for housing, hardship, COLA paid in host.”

“Split mandated by host legislation requiring minimum salary (e.g., Brazil, Russia).”

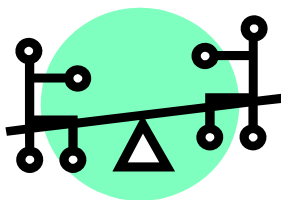
“Employee has choice of split, but any exchange rate losses arising from non-recommended options are the employee’s responsibility.”



Of course, split payrolls add a whole layer of administration to the expat package which many companies prefer to avoid. Subsequently, it comes as no surprise that so many respondents opt not to operate split payrolls.

For those companies that *do* split assignees’ salaries, the entity determining the split is an even choice between the company and the employee.

(41 Responders / 26 Skipped)



Split Determination

According to Company Policy46.3%

According to Employee Wishes43.9%

Over half (51.4%) report that splits are reviewed annually. Surprisingly, 17% of companies who offer split payrolls report that the splits are *never revisited* once set up – a greater number of respondents than those who review their splits either monthly (11.4%) or bi-annually (11.4%).

(35 Responders / 32 Skipped)

Expatriate Allowances

A review of 2009 surveys on *Repatriation Allowances*,¹³ *Application of Negative COLA*,¹⁴ and *Miscellaneous Policy*¹⁵ found the following:

Miscellaneous Allowance

- 79% pay expats a Miscellaneous Relocation Allowance upon assignment to new host location.
- 50% pay expats a Miscellaneous Relocation Allowance upon repatriation.

(70 Responders / 0 Skipped)

- 24% pay a Repatriation Allowance instead of an end of assignment miscellaneous allowance.
- Survey comments indicate that amongst this group, the most common method for calculating the repatriation allowance is to use 1/12 or 1/24 of salary, subject to caps.

(70 Responders / 0 Skipped)

Repatriation Allowance

Approximately 6% of survey respondents offer both a Repatriation Allowance and a Miscellaneous Relocation Allowance at end of assignment.

COLA & Housing Allowance

- 97% of surveyed companies provide a COLA for long-term expatriates. (62 Responders / 2 Skipped)
- 68.6% do NOT impose salary caps on either COLA or housing allowance. (35 Responders / 12 Skipped)
- 25.7% impose salary caps on COLA.
- 17% impose salary caps on housing allowance.

- 95.8% apply negative COLA to compensation package, if applicable, with 76% capping the application. (24 Responders / 40 Skipped)
- 84.6% of those apply the negative COLA across all locations, while 15% apply the negative only in some instances. (26 Responders / 38 Skipped)

Negative COLA

For tax equalised assignees, 58% deliver net COLA/housing allowance in host currency, with no home deductions; of these, 78% report net amount determined by external provider. Approximately 25% of respondents deliver COLA/housing allowances in host currency, with norms deducted in home currency. (36 Responders / 11 Skipped)

88%

Continue to Offer Annual Bonus Plans

(68 Responders / 0 Skipped)

Expatriate Bonus Payments

The results of the 2010 survey on *Expatriate Bonus Payments*¹⁶ indicate that a great majority of organisations (88.2%) are still using a structured bonus scheme during what has proven to be one of the toughest economic periods in recent history. The general rule amongst respondents seems to be to apply the same approach across the board regardless to whether the employee is an expat or on a local contract, with 95% reporting this methodology.

Approximately three-fourths of respondents structure their **expat bonuses** as follows:

76.8% Calculate Base using Gross Notional / Pensionable / Shadow Salary in Home Country

75.0% Apply Home Country Hypo Tax Deductions

(56 Responders / 12 Skipped)

Less common expat bonus methodologies include:

5.4% Calculate Base using Total Net Income in Host Country, Minus Allowances

1.8% Calculate Base using Total Net Income in Host Country, With Allowances

1.8% Calculate Base using Net Notional / Pensionable / Shadow Salary in Home Country

17.9% Do Not Apply Hypo Tax Deductions (as calculations and payout are both Net)

12.5% Apply Host Country Actual Tax Deductions

(56 Responders / 12 Skipped)

While expat bonus schemes are common, it is surprising that bonuses for assignment completion are not, with only 16.2% of companies offering this incentive. Those few that do pay completion bonuses are evenly split when it comes to structure, reporting adherence to one of two primary methodologies:

- Paid in Full at Assignment End (44.4%)
- Performance Related, Paid Upon Completion of Objectives (44.4%)

(9 Responders / 59 Skipped)

Expatriate Pensions

In the 2009 *Final Salary Pension Schemes* survey,¹⁷ when looking at pension schemes for expatriate employees, it is no surprise that final salary *home country pension plans* are more common than *offshore pension plans*.

(59 Responders / 1 Skipped)



56% Have Expatriates in Home Country Final Salary Pensions

vs. **10.7%** with Expatriates in Offshore Pensions

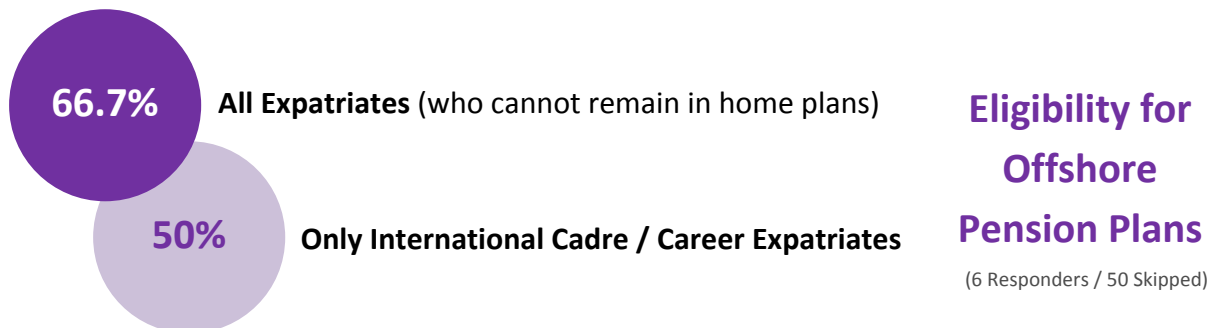
63.6% Use Home Peer Salary to Define Base Salary in Home Pension

(33 Responders / 27 Skipped)

Approximately 56% report having expatriates in a home country final salary pension plan, with the same percentage reporting a pool of one to twenty-five expats in the scheme. Almost all respondents with home country pensions leave their expats in the plan during long-term assignments. When defining the expatriate's base salary for the plan, almost 64% utilise a home peer salary method.

In the 2009 *Offshore Pension Plans* survey,¹⁸ **only 10.7% reported operating an offshore pension plan** for their expats. Of those respondents, there was an uneven split between the expatriate types (all expats, career expats) allowed to participate in the offshore plan.

(56 Responders / 0 Skipped)



Eighty percent (80%) of companies offering offshore pensions also report that they pick up the tax and social security costs arising from the plan; and they ensure tax compliance on employer contributions via monthly payroll withholding in all countries (20%), year-end tax filing in all countries (40%), or a combination of these methods (40%). The majority (66.7%) allow employee withdrawals from the plan at end of employment with the company.

(5 Responders / 51 Skipped)

Expatriate Perks

The following summary provides an overview of results from five surveys (*Miscellaneous Policy*,¹⁵ *Expatriate Club Membership*,¹⁹ *Company Cars*,²⁰ *Insured Benefits*,²¹ and *Home Leave*²²) on miscellaneous perquisites provided to expatriates.

Club Membership

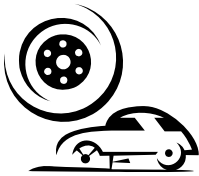
(22 Responders / 50 Skipped)



- 69% do not offer any kind of club memberships.
- Of the 19% who do offer club memberships:
 - 64% offer membership only to select employees, while 36% offer to all employees.
 - 91% provide as a social benefit to expats and their families.
 - Comments indicate this benefit is more common to destinations in Asia and the Middle East (i.e., 56% provide to Hong Kong assignees.)

Company Car

(54 Responders / 11 Skipped)



- 69% of respondents provide a company car to assignees.
 - 55.6% base benefit on host entitlement; 22% base on home entitlement; 15% automatically offer benefit to expats.
 - 19% provide a company lease; 15% provide car allowance; 11% provide car & driver; 85% vary approach depending on host location.
- 35% of respondents compensate for loss on sale of car in the home country.

Risk Insurance

(50 Responders / 4 Skipped)



- 86% provide expat life assurance.
- 68% provide personal accident coverage.
- 44% provide critical illness coverage.
- 28% provide income protection.
- 12% offer greater level of coverage for high-risk locations.
- Provision of benefit through: (42 Responders / 12 Skipped)
 - Pension (64.3%).
 - Flex Benefits Scheme (35.7%).
 - Company-negotiated Discounts (21.4%).

Home Leave

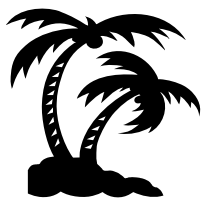
(54 Responders / 0 Skipped)



- 59.3% apply corporate travel policy guidelines.
- 54% mandate economy class travel for home leave, while 39% do not.
- Travel class may also be determined by: (52 Responders / 2 Skipped)
 - Distance (40%).
 - Assignee status in organisation (27%).
 - Cost (11.5%).
- **Travel Value/Cost Alternatives:** 66% do not allow alternative benefits such as cash payment in lieu of travel or flexible budgets for multiple trips via cheaper fares.
- **Alternative Destinations:** 40% allow assignees to choose an alternate location for home leave; 50% do not.
- 46% report no rule for when assignees become eligible for their home leave; 17.3% allow eligibility after first six months on assignment, while 15.4% allow after first 12 months; 17.3 allow eligibility at management discretion.
- 61% do not require home office visits to be combined with home leave. (52 Responders / 2 Skipped)

R&R Leave

(46 Responders / 1 Skipped)



- 39% provide Rest & Relaxation Leave, but the vast majority of these companies (94.4%) provide this only in hardship locations. (18 Responders / 29 Skipped)
- 70% of those offer a travel budget, and of those, 60% reimburse actual costs while 30% pay the budget as an allowance. (27 Responders / 20 Skipped)
- The travel budget is calculated as cost to travel to:
 - Nearest non-hardship location (55%).
 - Home location (25%). (20 Responders / 27 Skipped)
 - Other (20%).

Maternity or Sick Leave

(47 Responders / 0 Skipped)



- 49% have a formal policy for supporting assignees on maternity or sick leave. (28 Responders / 19 Skipped)
- 61% defer to local policy.
- 30% repatriate assignees on extended sick leave.
- 12.8% repatriate expats on maternity leave. (39 Responders / 8 Skipped)

Expatriate Compensation in Hardship Locations

Russia

In the 2010 *Expatriates in Russia* survey,²³ approximately 56.5% of respondents indicated that their companies currently have assignees in Russia. Of this group:



(69 Responders / 2 Skipped)

Salary

- 77.5% pay on local basis. (40 Responders / 31 Skipped)
 - 65.6% compensate for exchange rate fluctuations.
 - 37.5% compensate for bank/transfer fees when moving money from Russia to home country.

(33 Responders / 38 Skipped)

Allowance

- 75% pay hardship allowance, with the median allowance at 20%. (40 Responders / 31 Skipped)
- 85% pay COLA, with 51.7% basing allowance on full expat index and 38% basing on efficient purchaser index.
 - If housing allowance is insufficient, 35.7% make assignee pay the difference; 28.6% increase allowance for expats in that location; 50% make case-by-case exceptions. (28 Responders / 43 Skipped)
 - When the housing allowance exceeds the rent and is not used in full, 89% do not share the savings with the assignee. (36 Responders / 35 Skipped)
- 54% review allowances on annual basis, while 27% review allowances bi-annually. (37 Responders / 34 Skipped)

Home Leave

- 45% pay actual expenses, economy class.
- 17.5% pay a travel allowance.
- 42.5% allow one flight annually.
- 20% allow more than one flight annually.

(40 Responders / 31 Skipped)

Middle East (Saudi Arabia & Libya)

In the 2010 survey on *Expats in the Middle East*,²⁴ of the 40% of respondents who report that they have expats in Saudi Arabia, 77% apply standard mobility policy; and of the 10% of respondents with expats in Libya, 60% apply standard mobility policy.

Salary

Of the 50% of respondents with expats in the Middle East:

- 69% utilise home-based build up, while 15.4% utilise host-based compensation.
- 50% provide tax equalisation.

Allowance

- 69% pay COLA.
- 77% pay hardship.
- 88.5% provide housing.

Other

Additional benefits commonly include:

- Home leave (100%).
- R&R travel (34.6%).
- Club membership (11.5%).
- Car (53.8%), car allowance (46.2%), or driver (31%).
- International medical coverage (96.2%).

(26 Responders / 34 Skipped)

Sub-Saharan Africa

The 2009 *Sub-Saharan Africa Salary Delivery* survey²⁵ focused on companies with expatriates in this region. Of the 37% of respondents with assignees in Sub-Saharan Africa:

Salary

- 47% split salary between home/host countries.
- 23.5% pay in home country.
- 6% pay in host country.

(17 Responders / 29 Skipped)

Pay delivery in countries or regions with fluctuating currency values and/or restrictions on the repatriation of funds remains a problem for many organisations. To some degree, currency fluctuation may be remedied by protecting host paid salaries in hard currency (typically US\$ or Euro€), but ease of access to funds remains a problem that many solve through pay delivery in the home country or a third location. This third location may be a regional “hub,” the country where corporate treasury is based, or a true offshore location.

Short-Term Assignment (STA) Compensation

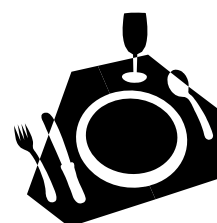
The June 2009 survey on *Management of Short-Term Assignments (STAs)*²⁶ provided information on remuneration methods for short-term assignees. A majority of respondents define these employees as working in a foreign location for a minimum of one to three months.

Market practice (65%) is for companies to pay daily allowances, or per diems, in addition to the home salary, with an almost equal number of respondents (67%) reporting that their STAs are also tax equalised. Where host country tax withholding is required, 75% accomplish this via host company or host shadow payroll.

(60 Responders / 2 Skipped) (55 Responders / 7 skipped)

STA Compensation

Home Salary PLUS Daily Allowance	65%
Home Salary PLUS Monthly Allowance	13.3%
Home Salary PLUS COLA	11.7%



STA Taxation

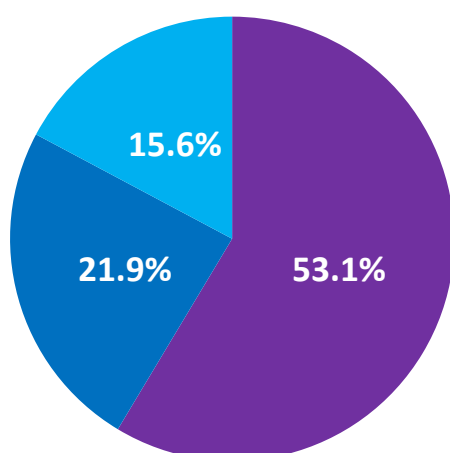


Tax Equalise Home Salary	66.7%
Tax Protect Home Salary	23.3%
Up to Assignee	5.0%

(60 Responders / 2 Skipped)

Per Diems & COLAs

A corresponding survey in March 2009, *Short-Term Assignment Allowances*,²⁷ specifically reviewed allowances for this type of assignment and the methodology utilised to calculate per diem or COLA amounts.

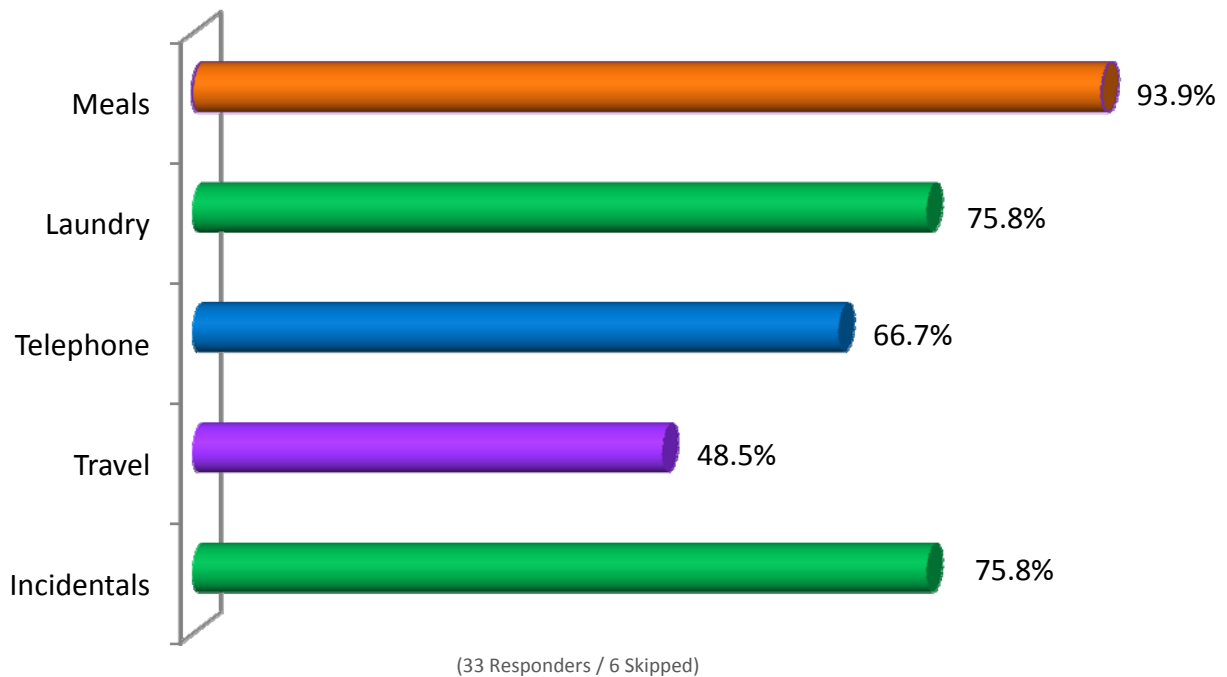


Per Diem Calculation Method

- External Data Provider
- Home/Host T&E Policy
- Home/Host Tax Authority Per Diems

(32 Responders / 7 Skipped)

STA Expenses to be Covered by Per Diem



For COLAs, 75% report using the same index for both short- and long-term assignments; and in cases where the COLA is negative, 70% elect simply not to pay the COLA rather than apply a deduction to COLA or salary.

(10 Responders / 29 Skipped)

On days when the assignee is not in the host country, there is a split as to whether the per diem or COLA applies; 60% deduct those days, while 40% do not.

(37 Responders / 2 Skipped)

International Hire / Localised Employee Compensation

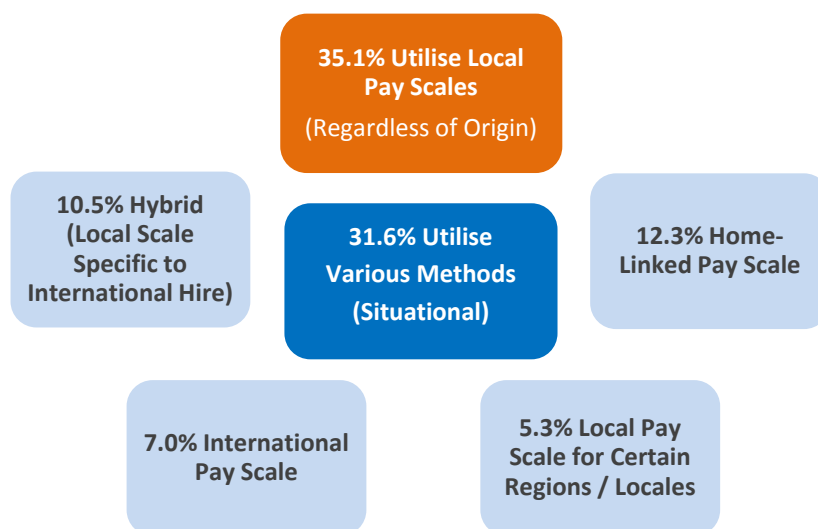
The objective of the 2009 *Hiring & Reward (International vs. Local)* survey²⁸ was to examine the approaches of respondents who recruit internationally and how pay and benefits are handled in these instances.

More than one-third (35.1%) always apply a local pay scale regardless of the employee's origin country, while slightly fewer (31.6%) apply various pay scales, dependent on the situation.

(57 Responders / 0 Skipped)

Pay Scales for International Hires

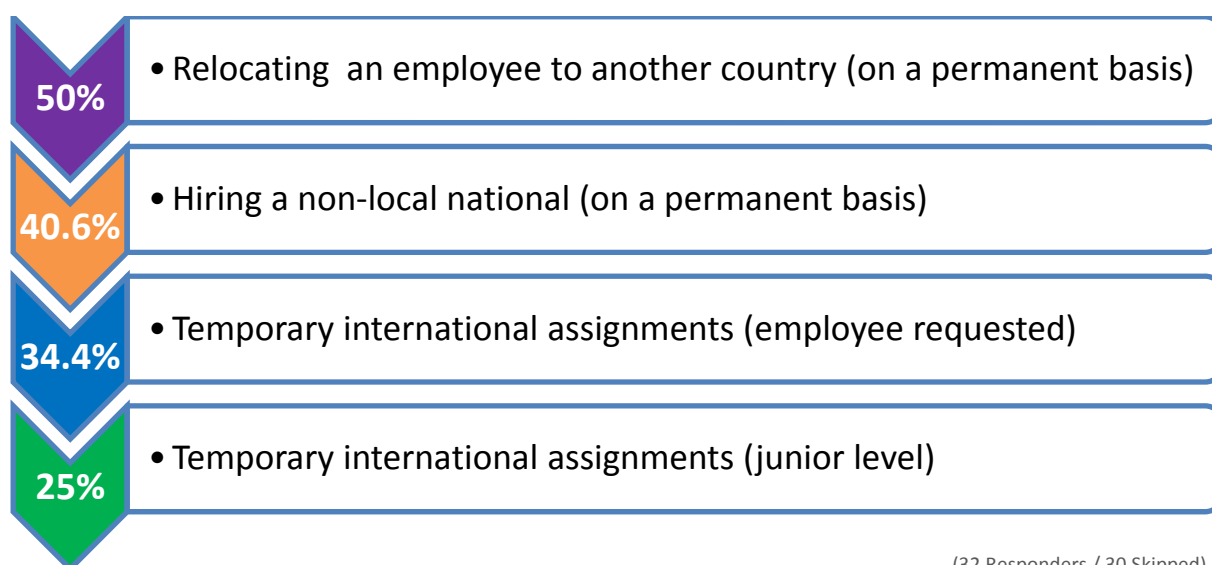
The two most common methods to determine compensation for these employees are a) to always apply a local pay scale, regardless of origin (35%); and b) to apply one of many different pay scales, dependent on the situation (i.e. the employee, applicable policy).



(57 Responders / 0 Skipped)

Destination Pay for Localised Employees

The 2009 *Destination Pay Approaches* survey²⁹ assessed the methodology of companies who utilise a destination pay approach – also called “local plus” or “destination pricing” – for temporary or permanent employees who are localised. Over 48% of respondents who reported operating a destination pay policy, this “local plus” compensation method is offered for four primary situations.



(32 Responders / 30 Skipped)

A typical setup for a “local plus” compensation package would include:

94%	Relocation Expenses
79%	Private Medical Coverage
70%	Settling-in Allowance
70%	Host Salary (based on local peer salary levels)
67%	Tax Assistance (for duration of assignment)
67%	Education Support
63%	Host Housing Assistance
59%	Host Employment Contract
54%	Home Leave
53%	Home Pension
35%	Host Pension (wherever possible)

(34 Responders / 28 Skipped)

4: Compliance

In this chapter, we discuss the various compliance issues inherent to global mobility, as companies strive to balance business and employee needs whilst adhering to regulations in the various countries in which they do business.

The role of the mobility professional has developed over time and increasingly there is a need to understand the minefield of cross-border employee compliance, in line with increased focus on expatriate staff by government agencies in relation to tax, social security, and immigration.

Previously an underdeveloped area of tax revenue, in today's changed economic landscape there is a demand for more disclosure of expatriate, secondee, and business traveller presence in-country and the correct submission of documents and reporting related to this. The consequences of non-compliance have also steadily worsened: increased scrutiny in other areas of business practice; communication between authorities in multiple countries resulting from non-compliance in a single location; business blacklisting; office closures; bans from making bids on new projects; and expatriate staff expulsion are just a few.

Increasingly, the employee is affected also, not just the employer. Responsibility in many cases lies with an employee to correctly submit documentation or bear the consequences; but it is also the employee who potentially suffers from increased regulation of expatriate staff around contract location, social security enrolment, and currency import & export controls.

Due to the complexity of these issues and the legalities involved, we always advocate engaging a qualified advisor to consult for your programme on technical compliance issues.

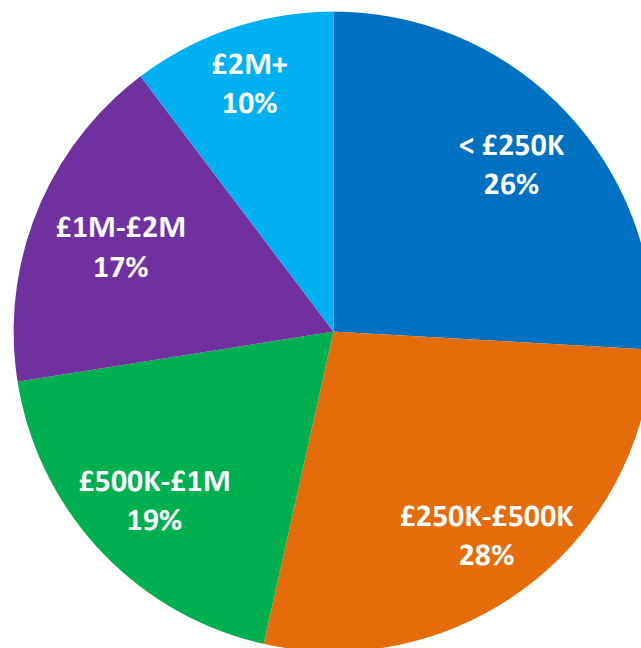
Tax Equalisation

Assignment tax services remain a crucial yet expensive area of assignment support. In the 2009 *Assignment-Related Tax Services* survey,³⁰ approximately 87% of respondents indicated that their companies use a global tax provider for this component of assignment management, with the vast majority (92.1%) of those utilising a *Big Four* provider (PwC, Ernst & Young, Deloitte, or KPMG).

(69 Responders / 0 Skipped)

As our statistics show, more than a quarter of all respondent companies spend more than £1 million annually on tax services, yet the range of service providers with truly global reach remains narrow. With options around vendor selection being so limited, the question must be asked, “*How can we reduce tax compliance costs as businesses seek to expand and move into new territories?*”

Annual Spend: Assignment Tax Services



(58 Responders / 11 Skipped)

It comes down to how companies structure their assignment packages, how they manage their internal recharging to avoid personal and corporate tax liabilities and/or filing requirements in countries of assignment, and what level of risk a company is prepared to accept in balancing local legislative requirements on declaration and filing with the realities of managing complex populations of international staff.

Assignment Tax Services

From the *Assignment-Related Tax Services* survey,³⁰ let us look at the tax services that companies are outsourcing for different assignment types.

Tax Services for Long-Term (Expatriate) Assignees

Host Country Filing, as Required, All Years	98.5%
Tax Briefings in Home / Host Countries	94.0%
Home Country Filing, as Required, All Years	85.1%
Liaison with Relevant Authorities	67.2%
Gross-to-Net or Other Tax Calculations	41.8%

(67 Responders / 2 Skipped)

Tax Services for Short-Term (Temporary) Assignees

Host Country Filing, as Required	92.1%
Home Country Filing, as Required, All Years	88.9%
Tax Briefings in Home / Host Countries, as Appropriate	76.2%
Tax Reconciliation / Hypo Tax / Other Tax Calculations	57.1%

(63 Responders / 6 Skipped)

Tax Services for Permanent (Localised) International Transfers

Host Country Filing, First Year	76.3%
Tax / Social Security Briefing	64.4%
Home Country Filing, if Required in Year of Transfer	62.7%
Host Country Filing, Ongoing	5.1%

(29 Responders / 10 Skipped)

Tax Services for Share Plan / Incentive-Related Compensation

Of *Assignment-Related Tax* ³⁰ respondents who offer tax support for this benefit, approximately one-third (32.6%) provide tax calculations for unplanned tax liabilities, whilst a slight majority (55.8%) provide filing support as required for trailing requirements in previous transfer locations. (43 Responders / 26 Skipped)

Exceptions

By far, the most popular methodology in handling exception requests is to provide case-by-case approval (95.4%). Other methods utilised by respondents include allowing operations in various countries to provide and pay for additional services on a local basis (18.5%). Just over 10% allow the tax provider discretion in making decisions up to a certain budgetary limit. (65 Responders / 4 Skipped)

Low Tax & No Tax Countries

83%
**Tax Equalise
Even in Low/No
Tax Locales**

A clear majority (82%) of respondents to the 2009 *Tax Equalisation Policies to Low Tax / No Tax Locations* survey ³¹ follow the tried and tested tax equalisation approach for their temporary transfers. Many reported that they apply this policy to all locations without exception, even in low tax / no tax destinations such as Hong Kong and Dubai. Specific commentary on this question reveals some inconsistency in the application of tax equalisation:

(41 Responders / 9 Skipped)



- *Ideally, we will apply the policy without exception. Currently, we are inconsistent in our approach but moving towards applying tax equalisation without any exception.*
- *We would explain to the expat that in these circumstances it would be better to go as a local and not a full expat.*
- *Low tax = tax equalisation, no exceptions. No tax = no equalisation or protection (but the expat pays their own tax on everything if they remain a UK resident).*
- *Tax equalisation is applied when we operate the normal home based build up calculation. We also have some "local plus" expat contracts where the expat is responsible for their own tax.*
- *We have tax protection for some situations, mainly through the Channel Islands.*



In general, these survey results correspond with the idea that there is significant risk in creating too much variance in the tax assistance benefit, and that lack of consistency in this area is potentially terminal to the long-term success of corporate global mobility policies. For this reason, many companies categorise tax equalisation as a key area of “Corporate Governance” where exceptions must be escalated to the very highest levels of HR Mobility and business leadership.

New Country Start-Ups

The 2009 *New Country Start-Ups* survey³² looked at current practices amongst companies establishing offices in the regions of Asia/Pacific Rim, South America, Poland, Russia, Ukraine, and Hungary.

For each of the following business needs, respondents indicated whether the project component is typically outsourced or handled by an internal resource. While many companies indicated that decisions depend on the country and may go either way, for some items there is a clearly preferred methodology.

84% Outsource	Immigration Services	<i>33% Insource</i>
71% Outsource	Registration & Payment of Local Tax and Social Security	<i>40% Insource</i>
55% Outsource	Local Employment Legislation & Provisions	57% Insource
<i>40% Outsource</i>	Employment Contract Preparation	87% Insource
<i>54% Outsource</i>	Payroll Setup	74% Insource

(49 Responders / 3 Skipped)

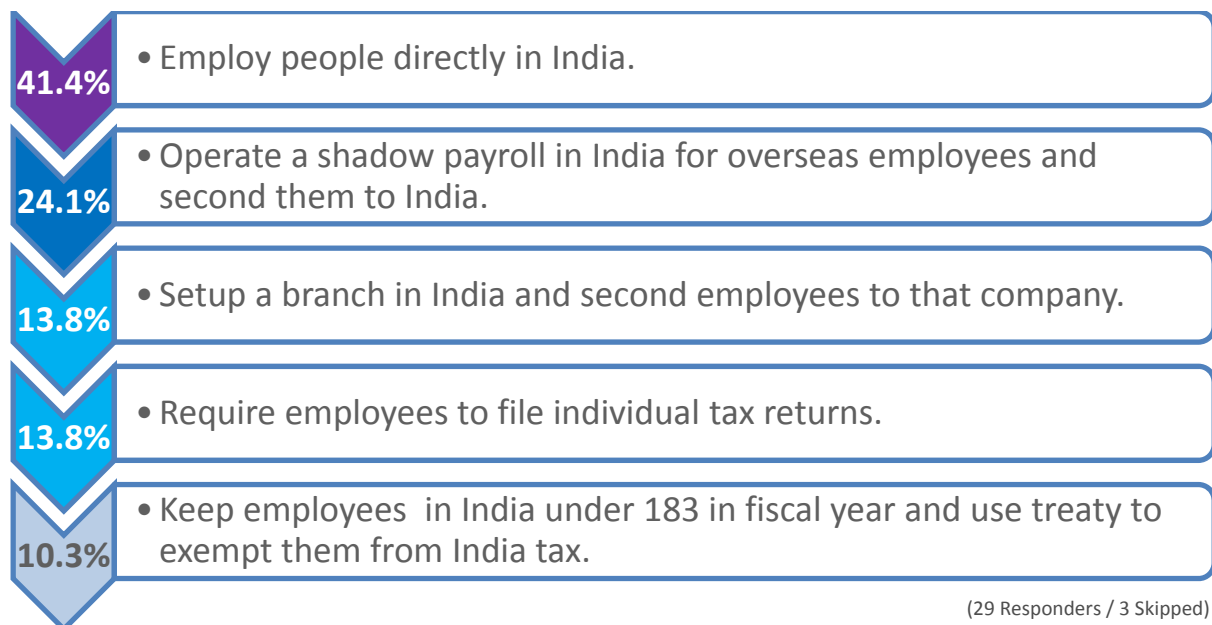
Permanent Establishment (PE) Risk in India

The 2009 *Permanent Establishment (PE) Risks in India* survey³³ looked at methods to reduce corporate risk. Because the creation of a Permanent Establishment (PE) is triggered by facts and circumstances and not by registration, it is important for companies to understand the PE concept in each country to avoid having a PE and being unaware of the attached risks. *Note: we suggest that companies engage a qualified advisor to consult on their particular situation.*

Depending on the tax systems in the home country and the host country (exemption method or credit method) and whether the two countries have concluded a bilateral double tax treaty, PEs can result in significant amounts of double taxation. In addition to this, a PE has to observe all local tax compliance requirements like a resident company.

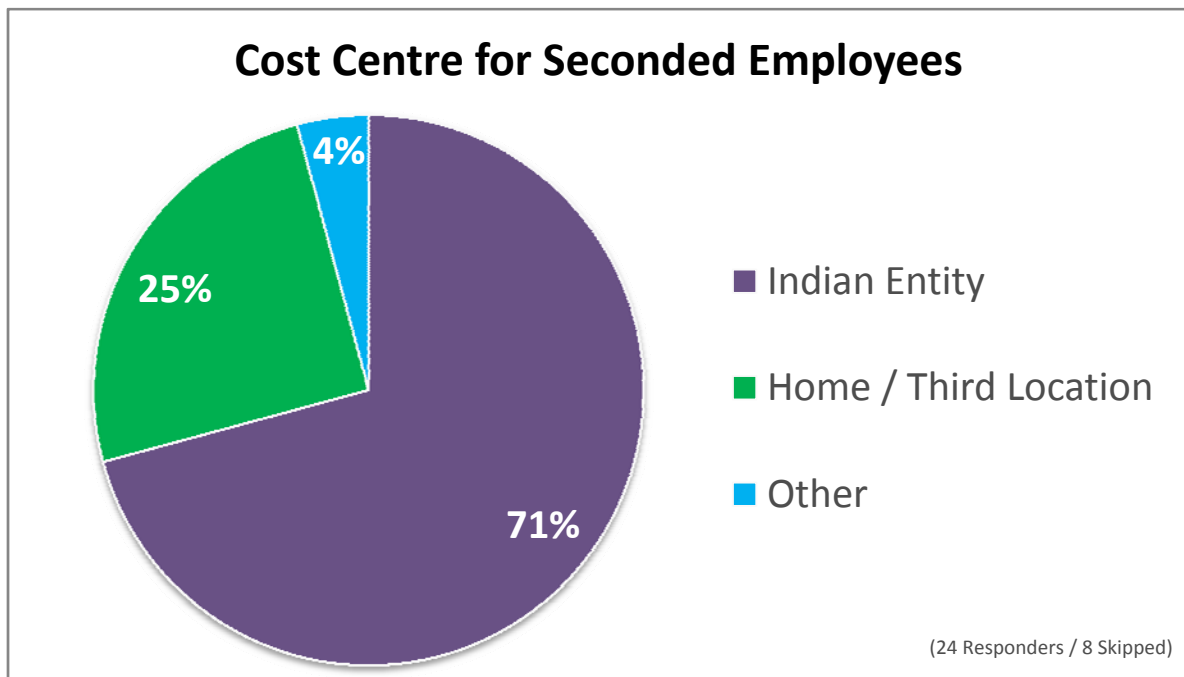
Of late, India has broadened the definition of these activities, due in no small part to the popularity of off-shoring, and the concentration of many corporate activities there. In addition, India tends to attribute more and more profits to the activities of a PE, including the taxation of offshore deliveries in case a contract does not separate clearly the on-shore activities and the off-shore deliveries to India. For typical outsourcing of corporate activities, the expectation of the Indian authorities lately resulted in a significant increase in the expectation of the profit margins on these services.

Methods to Reduce PE Risk



One method to avoid creating a permanent establishment in India, and to aid mitigation of income subject to corporation tax, is to employ “assignees” directly in India, as do 41.4% of respondents. The impact of this approach may be that income liable to corporation tax is mitigated.

Another method, attested to by 71% of respondents, is to retain cost of employment in India, which suggests that, in order to avoid Permanent Establishment/corporation tax liabilities, companies are not pursuing complex structures.



Finally, respondent comments indicate that a number of companies mitigate tax liabilities by loaning staff to the Indian entity or adopting dual contracts.

China SAFE (State Administration of Foreign Exchange)

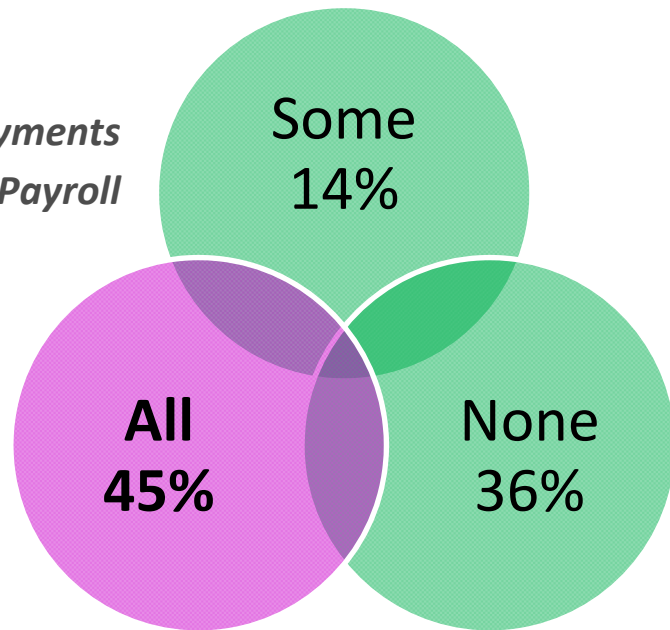
The purpose of the 2009 survey on *Updated SAFE Regulations in China*³⁴ was to ascertain the positions companies were taking in relation to the new SAFE (State Administration of Foreign Exchange) regulations on foreign exchange.

The official objective of the regulations is to control the movement of currency both into and out of China. Officially the regulations relate to the fight against fraud, corruption, and illicit trade channels to and from China. For those involved in the management of international assignments, there is a potential impact especially where employment income is delivered to offshore payrolls. The rules require that any payments exceeding \$US 30,000 (including pay, allowance, expense reimbursement, and relocation allowances/reimbursements) made outside of China require additional certification from the relevant tax authorities.

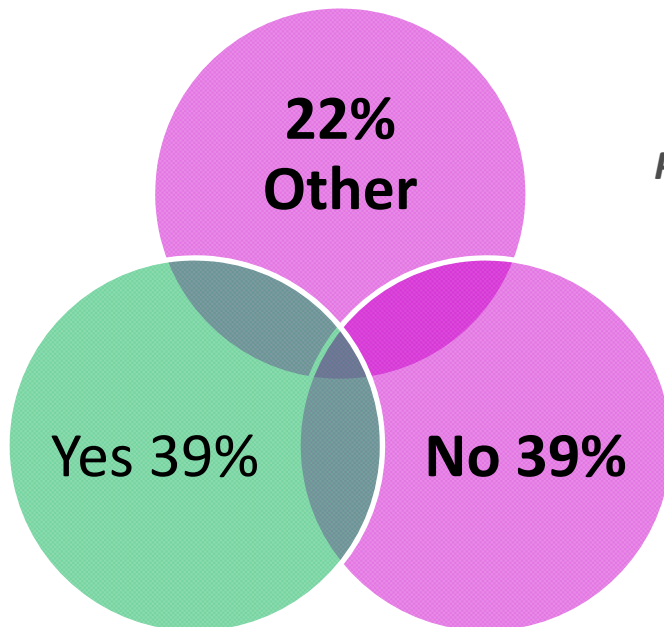
China SAFE regulations impact not just the compliance and cash flow considerations of organisations, but also the fundamental structure of assignment packages and payroll support.

Handling Assignee Salary Payments through Home Country Payroll

(22 Responders / 4 Skipped)



Only 36% of respondents are currently paying or thinking about paying their China assignees in Renminbi (RMB).



Paying Assignee Salaries in China in Hard Currency

(23 Responders / 3 Skipped)

When asked what payroll delivery changes had been implemented to meet SAFE regulations, verbatim survey comments indicated that many are unaware of the new requirements:



- *Not aware of any changes.*
- *Wasn't aware of the change, nor what if anything is required.*
- *I am not aware of new regulations.*
- *Not realised this was an issue.*
- *Wasn't aware of new regulation . . . no changes made to date.*
- *I am not aware of this.*



The survey results show no decrease in the use of split/offshore payrolls for expatriates in China, nor is there an increase in salaries being paid in host currency. Companies have either not yet fully understood the implications of the recent SAFE regulations or are discounting the impact of the regulations.

Note: we suggest that companies engage a qualified advisor to consult on their particular situation.

5: Pastoral Care

This chapter is the culmination of results from the RES Forum surveys regarding support offered by organisations to trailing partners and dependents of assignees.

As John Dunne said, *“No man is an island,”* and many organisations have realised that the support offered to trailing partners and dependents often determines whether an assignment is accepted and ultimately successful. Indeed, it is widely believed that a trailing partners' failure to settle-in is ultimately the biggest contributory factor to assignment failure.

Against the backdrop of offering support, many organisations recognise the costs involved; their obligations to support assignees' personal circumstances; and the need to optimise any company spend in the area of partner and dependent support.

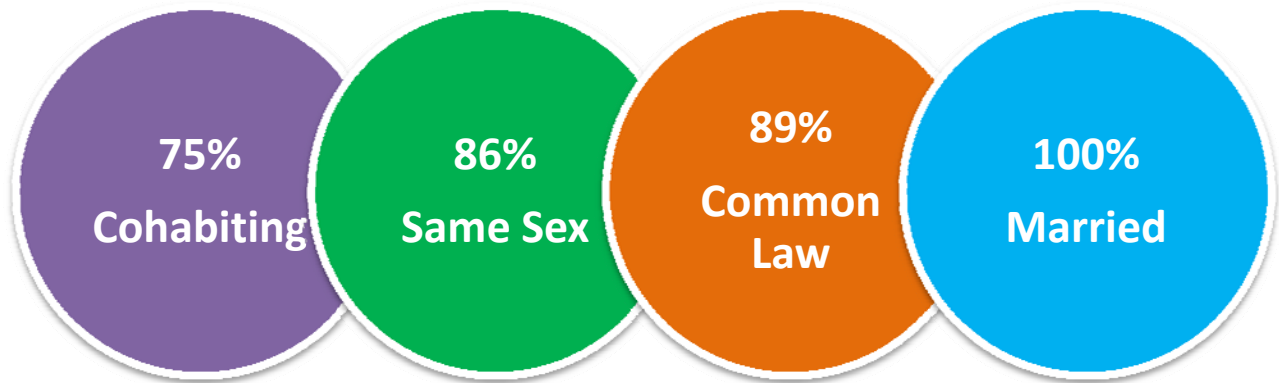
Some organisations provide money and support to ensure the family's settlement in the host country; whilst other organisations take a much leaner approach to family support, not feeling the need to provide additional services or allowances, as they view a decision to go on assignment as the expatriate and family's personal choice.

The degree of support may vary based on a number of factors such as cost; strategic importance of the assignment; individual negotiations between employees and their employers; and the extent to which a company acknowledges that the well-being of an accompanying partner and children will materially affect the success of the assignment in general.

Who is Considered a Dependent?

Partners

As expected, 100% of respondents to the 2010 *Dual Career & Dependent Support* survey³⁵ recognise married partners as dependents. Widely recognised spousal categories include:



(64 Responders / 1 Skipped)

Children

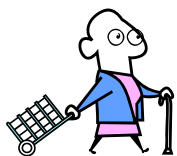
Whilst children are universally acknowledged as dependents, a great majority (76%) place age limits on those who receive benefits as an “accompanying family member.” The most common age limit for cut-off is 18 years of age, or a range from 21 to 25 years of age if the child is continuing full-time education, according to survey comments.

18

(63 Responders / 2 Skipped)

A slightly smaller majority (58%) report that an assignee’s compensation package (pay and benefits) is immediately adjusted to remove a child from compensation calculations, once the child has reached the set age limit.

(57 Responders / 8 Skipped)



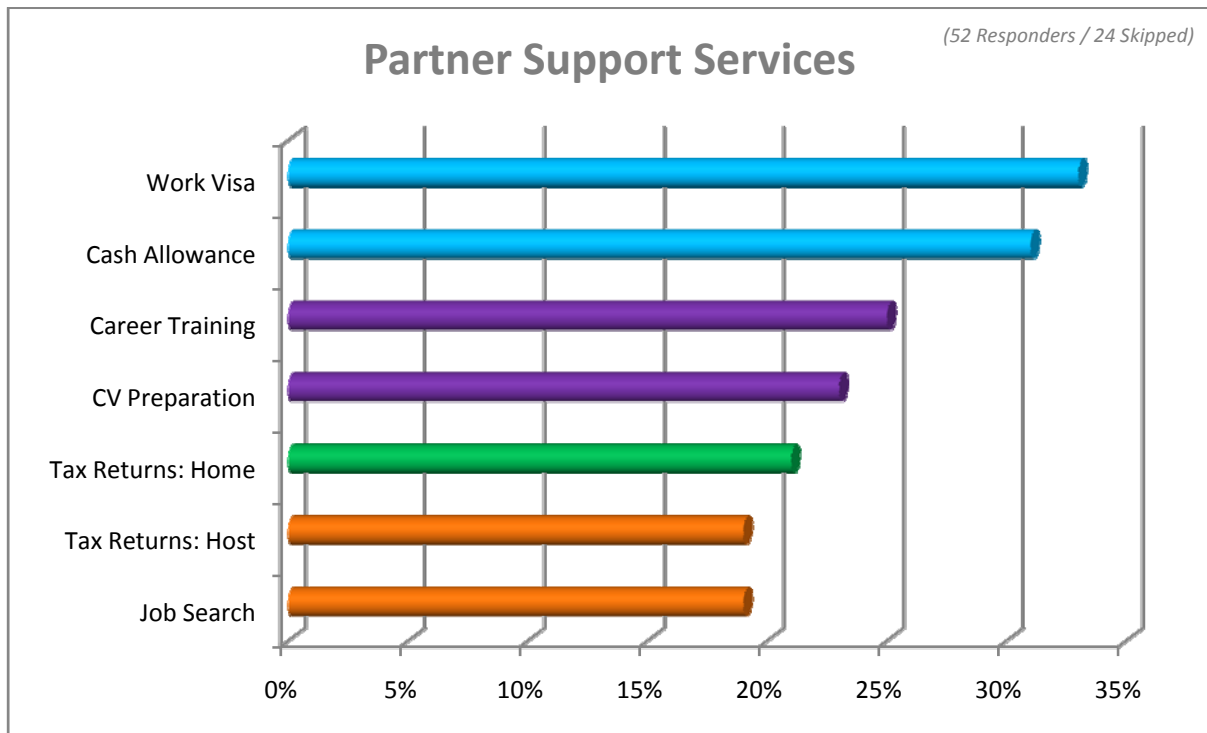
Elders

Only 12.5% support an expatriate’s dependent parent or grandparent via the assignment policy.

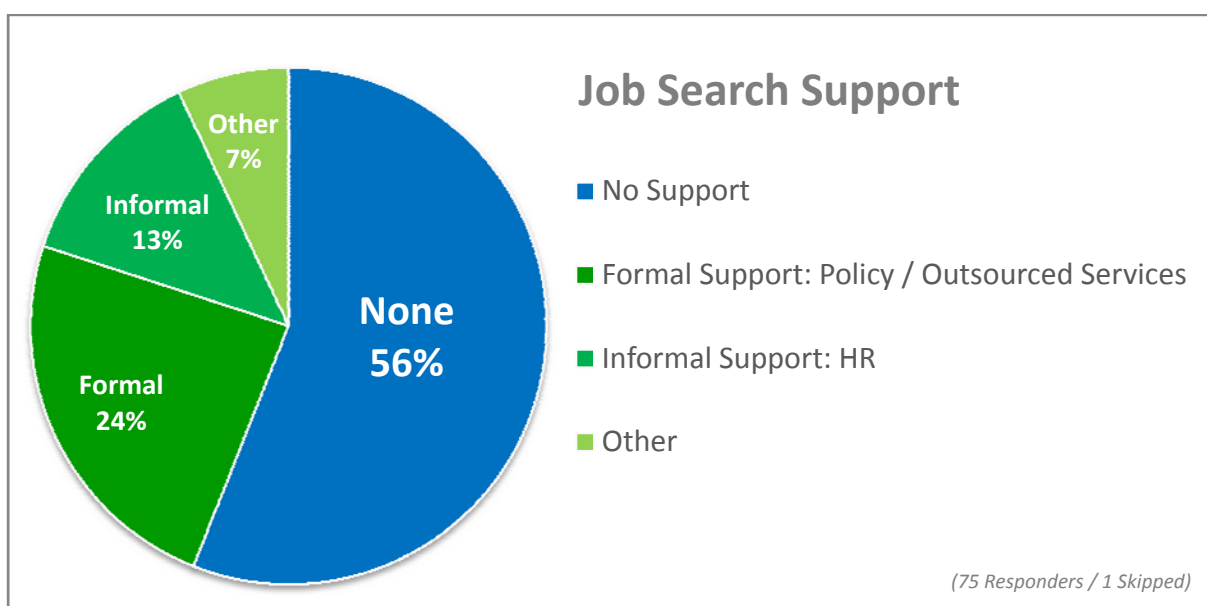
(64 Responders / 1 Skipped)

Partner Assistance

When asked about partner support provisions in the 2009 *Relocation & Partner Support* survey,³⁶ participants indicated that whilst a variety of services exist, only host country work visas and cash allowances were commonly provided by even one-third of companies.



More than half (56%) of respondents reported that their company does not offer job search support at all, whilst those that do are split between formal programs and informal support, such as HR departmental connections to employment agencies.



Spousal Support Networks

When queried about use of spousal support networks, a majority (63.2%) reported that their company does not provide this type of resource. A smaller subset of responses reported utilisation of both formal and informal networks:

- 1% Offer access to internal network, sponsored by the company.
- 10.5% Offer informal support or independent networking.
- 13% Offer access to external network.

(76 Responders / 0 Skipped)

- We have a spousal portal to facilitate connectivity.
- We have spousal support in our policy but have not yet found the ways or means to provide adequate service.
- No support network.
- Network is only offered to spouses who resign home country position to accompany the expat.



Education Assistance

Permanent Transfers / Intra-Regional Moves

The 2010 survey on *Education Support*³⁷ provided some interesting results around school-finding assistance for permanent transfers and intra-regional moves.

Half of the responding companies said they do **not** provide schooling support for **permanent transfers** into/within European countries; whilst 63.5% do **not** provide such support for **new hires** into/within European countries. However, approximately 37% **do** provide schooling support for permanent transfers, whilst 19% provide support for new hires; a category of “Other” was ticked by the remaining responders.

(70 Responders / 1 Skipped – PT)

(63 Responders / 8 Skipped – NH)

According to individual comments, the most common reasons for providing or not providing education support were:

- Individual Location Packages
- Language Barrier for the Child
- Business Unit Discretion
- Whether Hired on Expat Terms

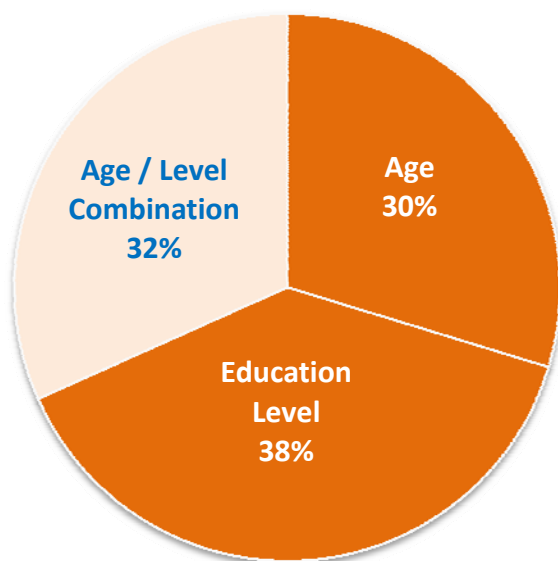
Of those who do offer education support, 64% enforce an age limit cut-off, with comments indicating that the most common limit is 18 years of age, or until the child reaches university level. This corresponds to findings from the 2010 survey on *Dual Career & Dependent Support*.³⁵ (58 Responders / 13 Skipped)

Expatriates

Education support for children is a standard of most expatriate packages. However, there are differences in both the type of support offered (school finding assistance versus school fees) and the length of time that support is offered (age-based versus levels-based). As well, differences often have more to do with assignment location and conditions than with individual packages.

In the *Dual Career & Dependent Support* survey,³⁵ respondents were almost evenly split on the basis for general eligibility. Participants' support of dependent children who remain in the home country was more defined, with 51.6% providing assistance to non-accompanying children, and of whom 44% provide some sort of home education support.

General Education Support Eligibility



(62 Responders / 3 Skipped)

Support for Non-Accompanying Children

52% Provide Assistance

(64 Responders / 1 Skipped)

Flights (100%)

Home Country Education Support (44%)

- Boarding Fees
- Differential
- Lump Sums

(36 Responders / 29 Skipped)

For the “classic” expatriate family, companies often take a pragmatic approach and base support on whether the child speaks the host country language; the quality of education in the host location; and the ability to ensure continuity of a particular curriculum during assignment and post-repatriation.

Compassionate Leave

The way in which companies support their assignees during the death or serious illness of a family member can change employee perception (either positive or negative) of the company, ultimately strengthening or damaging the working relationship.

The results of the 2010 survey on *Compassionate Leave*³⁸ indicate that the majority of companies do **not** impose a rigid policy for these situations. Good practice in this area includes flexible guidelines that recognise individual circumstances and the often sensitive personal situation being experienced by the assignee and family. A snapshot of this flexible approach would appear as follows:

Qualifying Family Event <i>(54 Responders / 0 Skipped)</i>	98% Death
	89% Serious Illness
Length of Time <i>(52 Responders / 2 Skipped)</i>	58% Per Manager Discretion
	17% Five Days
	19% Other
Documentation <i>(54 Responders / 0 Skipped)</i>	83% None Required
Expatriate Pay <i>(54 Responders / 0 Skipped)</i>	89% Continued at Full Amount
Expenses Covered <i>(52 Responders / 2 Skipped – Expense)</i>	100% Aeroplane Tickets

6: Policy Highlight on Housing

Assignee housing remains a topical discussion area for mobility professionals as they assess the level of assignment support to provide to an assignee.

The main discussion areas usually evolve around policy, namely:

- How much support should we offer?
- Do we base support on the local or an “expat” market?
- Do we base housing support on salary, job level, or family size?
- Do we factor in the housing market from where the assignee has come?
- Do we reimburse housing costs in full or offer a contribution only?
- Do we take a home country contribution?
- Should a reimbursement of utilities be offered?
- Should the employee be allowed to flex what they have not used in housing allowance?

From a company perspective, housing reimbursement can represent very real costs to the organisation which need to be carefully managed.

This chapter looks to address some of these themes, while outlining current practice in these areas amongst RES Forum member organisations. With housing, it is often a case of there being no right answer but rather what is right for a specific organisation based on culture, employee needs and, most importantly, cost.

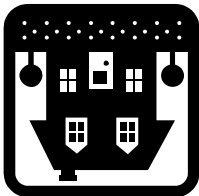
Duplicate Housing Costs

The 2009 survey on *Policy Support for Duplicate Assignment Costs*³⁹ looked at the extent to which member companies reimburse assignees for duplicate/additional housing, utilities, and insurance costs related to assignments.

There are two basic approaches to housing costs:



- A “no gain” approach which justifies a hypo housing deduction/housing norm.



- A more relaxed approach, which is not concerned about whether assignees have the opportunity to rent their home property for extra income.

Whilst the “no gain” approach is tempting to many companies from an economic standpoint, it is worthwhile to remember that a) not all assignees will rent out or sell their home property and/or b) many assignees may have lost a spousal second income by accepting the assignment.

It is no surprise that the great majority of respondents (88%) state that their company pays for expatriates’ host location rentals. However, when queried about host location utilities, the response was almost evenly split, with 40% paying for expats’ utility costs and 44% of companies **not** taking on this expense. Verbatim comments indicate that some include utilities costs in the assignee’s COLA, and some base payment of utilities on lease terms or location.

Duplicate Costs



88% Pay Host Rental

72% Do Not Pay Duplicate Housing Costs



44% Pay Host Utilities

51% Do Not Pay Home vs Host Utility Difference



(43 responders / 0 skipped)

Almost three-quarters (72%) indicated that they do **not** compensate for duplicate housing costs, and 51% do **not** pay for incremental host versus home utility costs.



- *Housing allowance covers cost of host country. It is expected that cost of home property is covered by salary.*
- *We pay host housing . . . entirely up to assignee what they do with the home property – sell, rent, or leave vacant. We don't interfere.*
- *No duplicate housing costs since we pay for host housing 100%.*
- *(We pay duplicate costs) only if there is a legal reason why assignee can't rent the home property.*
- *We always take a housing norm, but where home property cannot be rented we won't take the norm for max of three months.*
- *We stop the hypo home housing deduction for up to four months.*
- *Each situation is looked at individually.*



Additionally, all participants (100%) reported that they do not pay Council Tax for any unoccupied property in the U.K. *(The Council Tax in the UK is a tax levied on households by local authorities; it is based on the estimated value of the property and the number of people living in it. Expatriates are still responsible for payment of the tax on their homes while on assignment.)*

(43 responders / 0 skipped)

Lease Management

The 2010 survey on *Managing Leases for Expatriates*⁴⁰ sought to ascertain the level of shared responsibility between companies and their expatriate employees for damage to rental properties while on assignment.

75%
**Hold Leases in
Company Name**

A full three-quarters (75.4%) of respondents hold the lease for rental accommodations in the company's name, as opposed to the assignee holding the lease. Thus, the question of who is financially responsible for property damage and/or loss of a deposit can create an issue for the company. (69 responders / 1 skipped)

Of those who hold the lease in the company's name, almost half (43%) state that the expat must carry the full cost of any claims brought by the landlord. One-quarter (25.5%) report that the company bears the full costs.



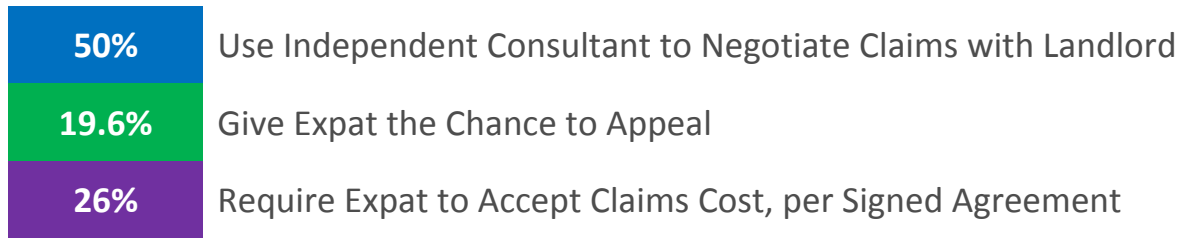
A full third of respondents (33.3%) answered “*Other*” with representative comments such as:

- *If it's fair “wear and tear” the company will cover, but if costs are due to negligence then assignee will be asked to pay.*
- *Depends on the nature of the claim.*
- *Company will cover dilapidations within reason.*
- *If expat is responsible, expat pays full costs.*
- *We often make exceptions if landlord is being unreasonable.*

If the company makes the initial claims payment, but determines that the assignee is at fault for the damages, most (51%) simply request the assignee pay the money back whilst one-third (34%) deduct the claim amount from the assignee's salary. (47 responders / 23 skipped)

At the same time, the majority of respondents (69%) do have arbitration or appeals processes for determining damages and whether/what portion the assignee is responsible, as shown in the table on the next page.

Claims Arbitration



(46 responders / 24 skipped)



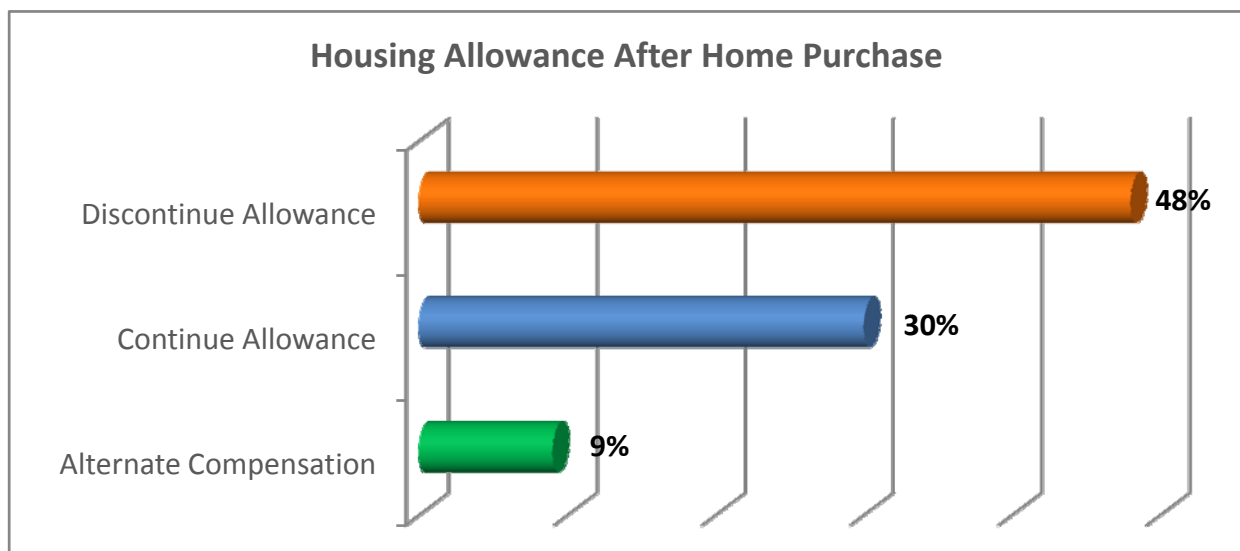
Home Purchase on Assignment

The 2010 survey on *Home Purchase on Assignment*⁴¹ assessed the support which organisations choose to extend to expatriate employees who wish to purchase housing in the host country whilst on assignment. It is not surprising that 94% of respondents actively discourage such endeavours, due to the enormous expense involved and the ultimately temporary nature of most international assignments.

(64 responders / 1 skipped)

When queried about supporting the costs of such a purchase, most (90%) answered that they do not cover any of the purchase costs and almost half reported that they discontinue payment of any housing allowance at that time.

(21 responders / 44 skipped)



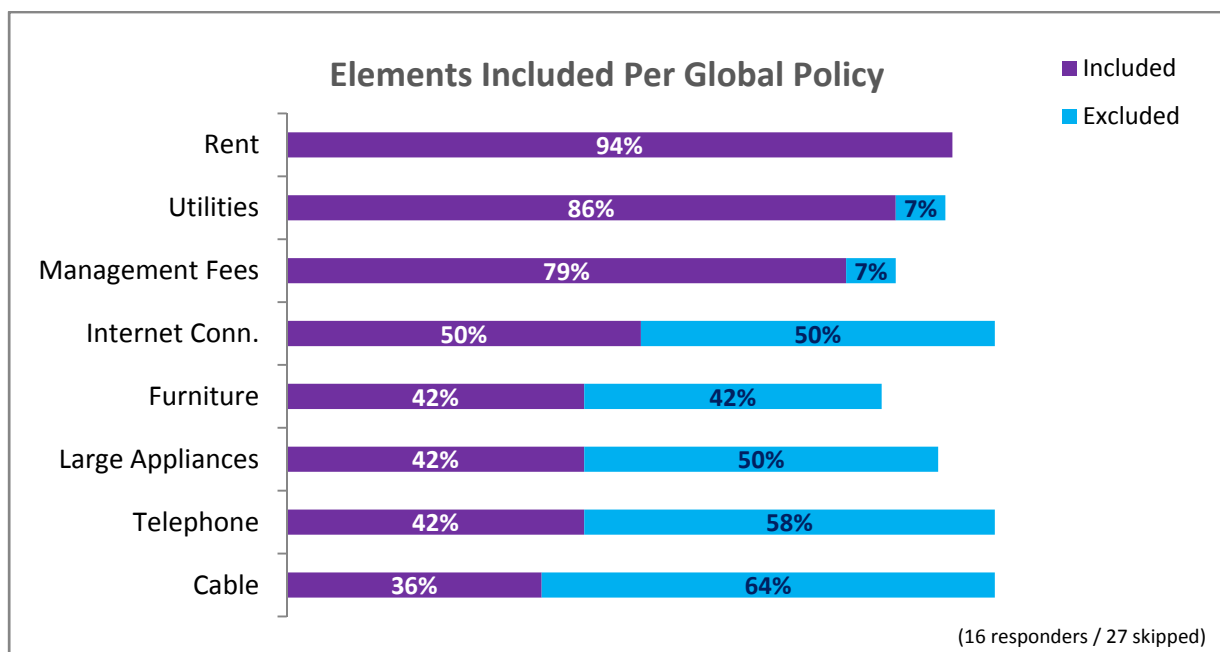
(23 responders / 42 skipped)

Highlight on Beijing Housing Practices

In cities such as Beijing, where monthly housing costs are very high, companies are concerned with how to ensure agencies secure the best rents for the assignee and the company. Sending expatriates to Beijing requires specialist support, either from internal HR counterparts or external agencies tasked with helping the assignee locate appropriate housing and settle-in to their new location.

The 2010 survey on *Housing Practices – Beijing, China*⁴² reviewed current approaches to this issue amongst companies with expatriates currently in that location.

Of the 43 initial respondents, approximately 37% met this qualification and participated in the entire survey. All of those respondents (100%) reported that they apply their standard housing policy to Beijing assignees. Per the global policy, the top housing-related items included for payment by the company were:

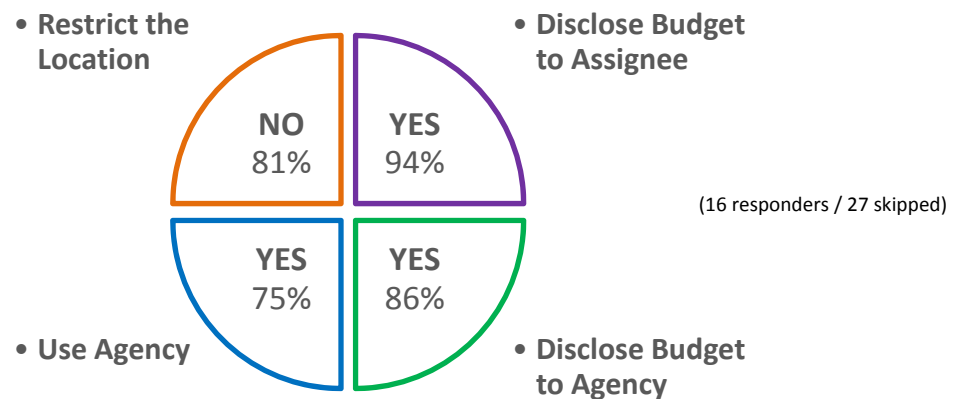


A small percentage reported that some elements were included as *exceptions* to global policy and payable only in China or only in certain locations:

- Rent – Only in China (6%)
- Furniture – By Location (16%)
- Large Appliances – By Location (8%)
- Management Fees – By Location (14%)
- Utilities – By Location (7%)
- Air Purifiers – Only in China (9%)
– By Location (9%)

(16 responders / 27 skipped)

There was widespread agreement on handling issues such as whether to restrict assignees to specific buildings, neighbourhoods, or areas of Beijing; whether to use an agency to locate housing; and whether to disclose the company’s housing budget.

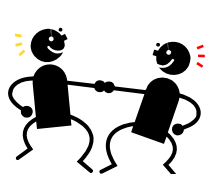


Serviced apartments are used for at least some assignees, as reported by 73% of respondents, with 20% eschewing serviced apartments altogether and 7% secured for all assignees.

(15 responders / 28 skipped)

For other types of apartments, participants were evenly split (50% to 50%) on whether to allow certain components to be negotiated as part of the rent. The top five most prevalent negotiated items were:

Negotiated Items



- 1 Furniture 56%
- 2 Management Fees 44%
- 3 Large Appliances 44%
- 4 Internet Connection 44%
- 5 Small Appliances 33%

(9 responders / 34 skipped)

Finally, the survey asked how companies with Beijing assignees ensure that their agencies are negotiating competitive rental agreements. The most common answers were that either the company pays the one month fee (40%) or the landlord pays the one month fee (30%). One respondent indicated that the company shares any savings with the assignee, thus enticing the assignee to find a better deal; and two other respondents remarked that they comparison shop, either with multiple agencies or against benchmark data.

(10 responders / 33 skipped)

7: Programme Administration

This chapter covers a number of themes related to the ongoing management of assignment programmes.

Key areas of interest include:

- International assignment managers and the training of such specialists.
- Strategic programme priorities amidst the current economic situation.
- Budgetary reactions.
- Use of key performance indicators.

More than anything, this chapter tells us that management of programmes remains an art form in permanent evolution.

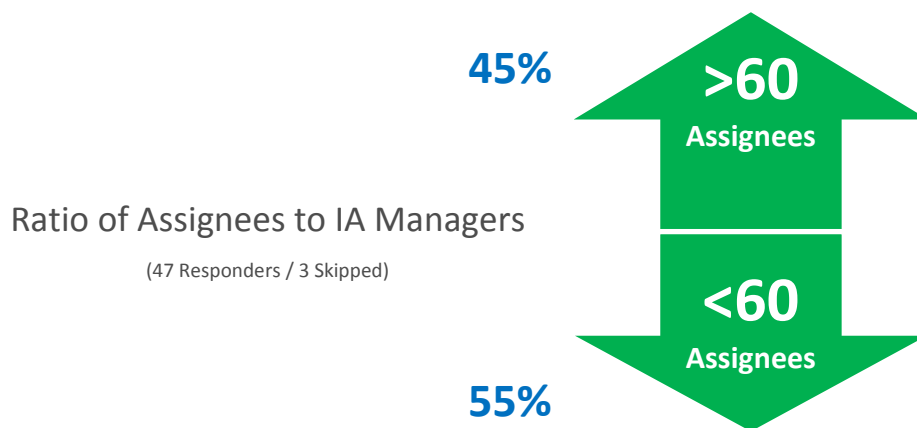
The demographics of assignees change; cost pressures increase (never more so than in the current business climate); and there is a need for greater sophistication in measuring the success of assignment management (but also *Return on Investment*), so that even the most mature and sophisticated programmes witness the introduction of new initiatives on a regular basis.

In this chapter you will read about some of the programme management areas which have been of interest to RES Forum members in the last year.



The International Assignment Manager

While organisations vary in structure, size, geographic spread, and assignment population, there are some shared tactics to improve efficiency in assignee management (such as relying on outsourcing providers or self-service web tools), which inevitably increase the number of assignees per manager. The 2009 survey on the *Role of the International Assignment Manager*⁴³ looked at this ratio and at the primary responsibilities being shouldered by today's assignment managers.



While more than half of the survey participants have a low ratio of less than 60 assignees per international assignment manager, approximately 45% report ratios of 60 or more assignees per one assignment manager. The primary duty of the assignment manager was listed by 94% of responders as *advising on assignment related issues and solutions* with additional activities ranked as follows:

- 1 • Advise on Issues and Solutions (94%)
- 2 • Meet and Brief Assignees (88%)
- 3 • Produce Assignment Costs (84%)
- 4 • Manage Suppliers (73%)
- 5 • Develop Policy (73%)

(49 Responders / 1 Skipped)

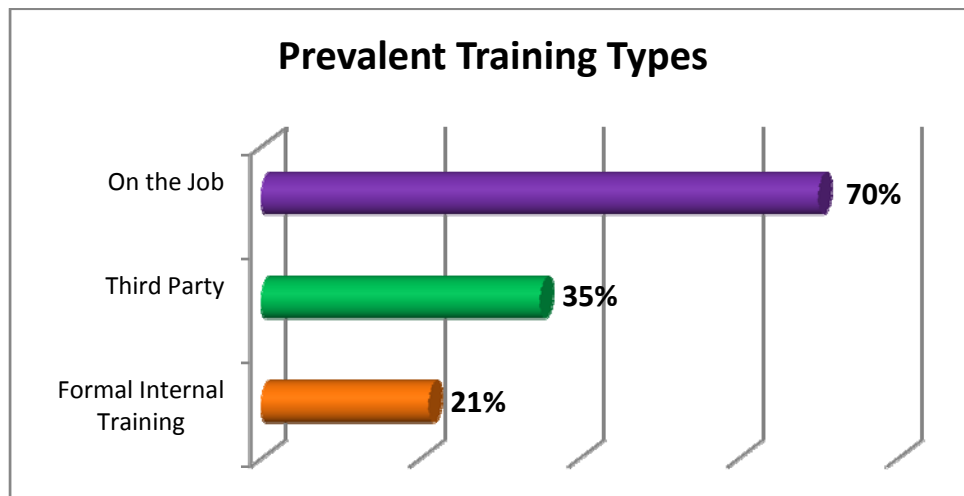


Development of Global Mobility Specialists

The 2009 survey on *Training / Accreditation of Global Mobility Specialists*⁴⁴ looked at current practices in this area for companies' international assignment professionals.

Not surprisingly given the lack of formal training or accreditation programmes, the majority (70%) reported that they rely mainly on internal, on-the-job training to prepare their mobility specialists, while slightly more than one third (35%) of respondents also indicated that they engage a third-party provider for training.

(57 Responders / 0 Skipped)



Approximately 90% indicated that their training efforts focus on both internal policies *and* the basic principles of global mobility, such as immigration, COLA, and tax equalisation. Respondents reported that, in all, training focuses included:

(51 Responders / 6 Skipped)

- 90% Internal Policy + Basic Mobility Principles
- 39% Internal Policy Only
- 23% Customer Interaction Skills
- 22% Intercultural Awareness

90%

Do Not
Require/Offer
Accreditation

(56 Responders / 1 Skipped)

In the absence of high-quality external training sources, experienced and technically competent Global Mobility managers will remain at a premium for the foreseeable future. With Global Mobility managers requiring an ever-increasing arsenal of technical skills across a wide number of areas, it is essential that Global Mobility managers at all levels take responsibility for the development of their own skills. This may mean instigating requests to attend external training courses in areas such as tax and social security, or in other areas such as Client Relationship Management.

Current & Future Mobility Objectives

The 2010 survey on *Strategic Priorities in Mobility* ⁴⁵ sought to ascertain which priorities RES Forum members have identified for their mobility programmes in 2010 and beyond.

The majority of companies agree that their top focus areas are, in order of importance:

- 1** **Reviewing and implementing new policies.**
- 2** **Communicating with and training businesses units / HR groups** on new policies and processes.
- 3** **Reviewing and implementing new localisation policies;** developing a framework and eligibility formula for localisation – i.e., moving assignees from international to local contract terms in the same country.

(53 Responders / 0 Skipped)

Other objectives that scored highly include:



- **Talent management**, specifically linking talent with mobility (25% of companies are focusing on this area to some degree in 2010).
- **Short-term assignment policies and processes** (15% of companies will focus on STAs during 2010).
- **Legal review of assignment documentation & processes** (15% of companies will focus on this).

(53 Responders / 0 Skipped)

Of the major trends that Forum members believe will dominate the mobility landscape in the near future, the most prevalent responses were:

- Compliance.
- Cost control.
- Outsourcing.
- Alternatives to classic “expat” policies – i.e., host-based approaches, local moves, and short-term assignments.

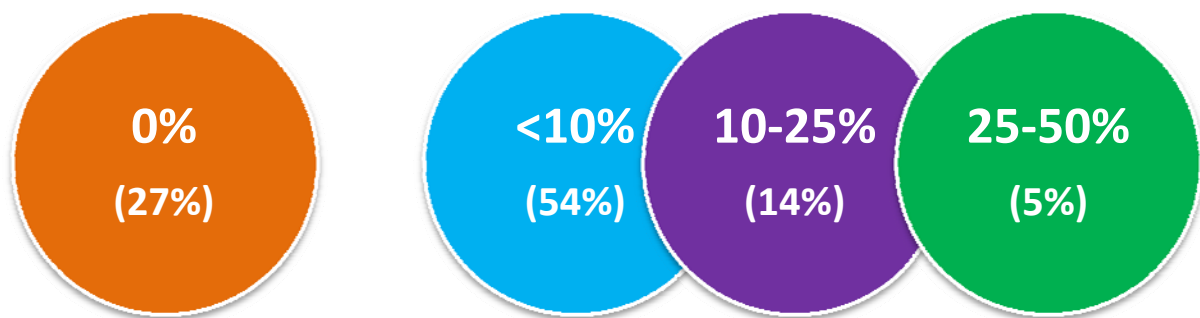
(36 Responders / 17 Skipped)

Impact of the Current Economy on Global Mobility

The survey on *Miscellaneous Policy & the Current Economic Situation* ⁴⁶ sought to ascertain to what extent the current global economy is impacting companies' mobility programmes.

While 95% of survey respondents reported no plans to freeze assignments, many participants indicated that individual assignments might be affected by postponement or early termination in an effort to reduce costs.

Percentage of Assignments Terminated or Postponed



(37 Responders / 3 Skipped)

Freezing Assignments due to Economy

Yes 5% No 95%

Reducing Mobility Benefits due to Economy

Yes 45% No 55%

Reviewing Policies due to Economy

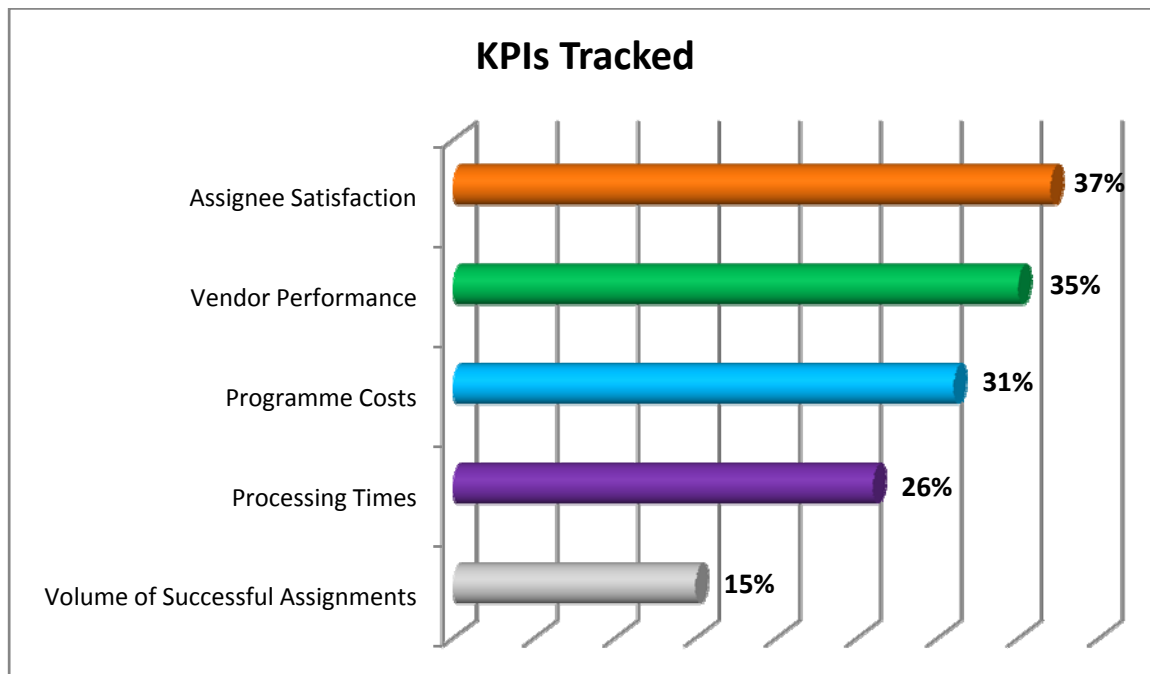
Yes 46% No 54%



(40 Responders / 0 Skipped)

Key Performance Indicators

The results of the 2009 *Key Performance Indicators* survey ⁴⁷ show companies are beginning to move towards a more strategic appreciation of success factors.



(65 Responders / 1 Skipped)

Amongst those that track performance metrics (*and 40% do not*), assignee satisfaction and vendor performance were featured over programme costs. Although cost is an interesting element, when considered in tandem with retention rates post-assignment, one is presented with the question of whether the undeniably higher cost of expatriates is justified by employees remaining with the company, which may then profit from that employee's professional development.



- *“Currently track costs and turnaround times . . . in process of introducing surveys to assess policy effectiveness, satisfaction, and repatriation metrics.”*
- *“In the process of re-drafting our contracts and setting KPIs for both vendors and internal HR for entire assignment process.”*
- *“We also measure programme ‘quality’ by percentage of assignments that meet strategic and talent objectives.”*



8: Outsourcing

Outsourcing allows organisations to more easily attach a cost to services whilst centralising allows scalability on headcount, systems, and knowledge to be achieved.

However, service and cost are often at the heart of a reverse decision (namely bringing activities in-house), with service level agreements in the outsourced context often not reflective of the actual service a company may wish to provide. At the same time, although more easily identified, costs are not always reduced when outsourcing takes place, hence the move to bring the outsourced services back in-house.

One of the RES Forum founders recalled a conversation on this topic, in which his manager at the time remarked that, “Companies will usually review this situation after a five to eight year period and then reverse what they have done – decentralising and bringing administration back in-house. This cycle is almost guaranteed!”

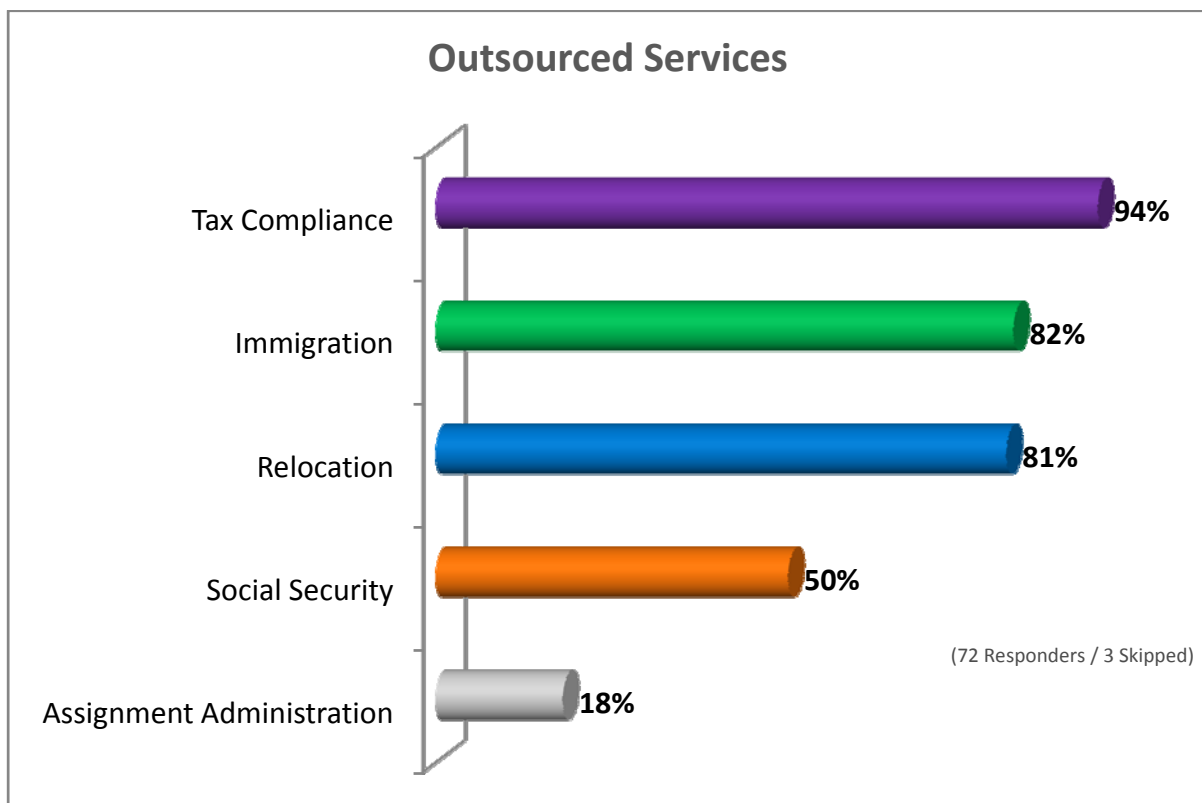
The conversation occurred during his early years as a relocation professional and has stuck in his mind ever since. During his subsequent ten-year career, two such projects with large employers have indeed gone through this very cycle. Were these companies correct to centralise and outsource and then reverse this approach at a later date? There is no right or wrong answer, as at the heart of the situation is management of both cost and service levels.

This chapter looks at the key issues organisations review when outsourcing any part of their mobility programme. We look forward to the RES Forum 2015 Annual Report, where no one will be surprised if the trend at that date has reverted again to outsourcing and centralisation.

Outsourcing Overview

While assignment administration is still overwhelmingly managed in-house (+82%), outsourcing of support services is a widely adopted practice with a significant majority of companies outsourcing tax compliance and immigration services, amongst others. As these areas are highly complex and subject to frequent change, this is understandable.

The 2010 survey on *Outsourcing and Assignment Management*⁴⁸ looked at both the types of services being outsourced and the mix of vendors that companies upon which companies rely.



Comparable statistics resulted from the 2009 survey on *Outsourcing*⁴⁹ in which participants reported heavy utilisation of service providers for tax compliance (95%) and immigration (79%), but not as much for assignment administration (16%).

(38 Responders / 4 Skipped)

Reasons for Outsourcing

When asked their original reasons for outsourcing components of the mobility programme, respondents to the 2009 *Outsourcing* survey⁴⁹ chose more than one primary motivation:



(38 Responders / 4 Skipped)

Vendor Types

Also in the 2009 *Outsourcing* survey,⁴⁹ participants were asked about the types of service providers they engage. Considering the prevalence of outsourcing tax compliance services, it is no surprise that the *Big Four** accounting firms are utilised by so many companies (70%).



Big Four	70%
Global Relocation Firms	41%
Local Providers	24%
Regional Relocation Firms	22%

Additionally, almost twice as many companies report using a global relocation firm (41%) versus a regional relocation firm (22%). When asked about the length of the outsourcing relationships in place, the majority indicated long-term partnerships were the norm.

(37 Responders / 5 Skipped)

62%
Vendor Relationships
of 3+ Years

41%
Vendor Relationships
of 1 to 3 Years

* The *Big Four* are PwC, Ernst & Young, KPMG, and Deloitte.

One or More Providers

The 2010 *Outsourcing* survey⁴⁸ also asked for participants' views on using multiple service providers for their programmes. Approximately three-quarters (75%) affirmed the use of a multi-vendor approach and ranked their reasons for doing so. Of these respondents, finding the best fit for each service was amongst the top two reasons for going with this model.

(73 Responders / 2 Skipped)

Multi-Vendor Approach



- Ability to Select Vendors Based on Individual Strengths 70%
- Belief that No Single Vendor is Able to Meet All Programme Needs 63%

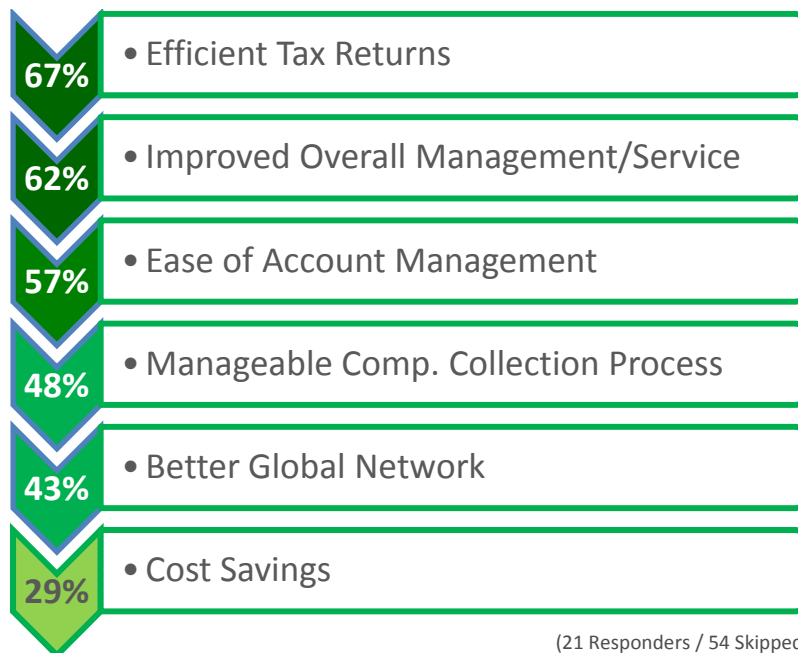
(56 Responders / 19 Skipped)

Note: 62% Would NOT Consider a Single-Vendor System

(65 Responders / 10 Skipped)

Single-Vendor Approach

Of the 19% of respondents who currently use a single-vendor approach, the reported benefits of such a model include:



(21 Responders / 54 Skipped)

From the reasons provided, it may be inferred that the majority of single-provider programmes amongst these survey participants are managed by *Big Four* accounting firms.

Verbatim survey comments regarding the single/multi-provider debate included the following.



- *“My experience has led me to stick with the core disciplines of each vendor.”*
- *“We are looking to centralise more this year.”*
- *“We don’t believe . . . one size fits all. In tax and removals, we want the governance, but otherwise local entities.”*
- *“We use (Big Four) for tax and immigration, and another service provider for all aspects of relocation.”*
- *“In my experience, no provider is truly global.”*
- *“(Using a) sole provider gives us leverage when issues arise, and we get fabulous service in the whole.”*



The idea of a “one stop shop” single-vendor solution has been debated for many years.

The *Big Four* vendors may extol the benefits of their integrated compliance and assignment management services. Other service providers and relocation companies might similarly sell themselves on the strength of their ability to internally manage their own networks of support vendors thus effectively achieving the single-vendor solution (from the client perspective at least).



What remains clear, however, is that this often comes down to the personal experience of the in-house mobility professional; the degree of interaction which a client wishes with their vendor network; and the procurement policies of the client.

Tax Compliance Firms

In 2009, the *Expatriate Tax Vendors* survey⁵⁰ looked at various practices regarding the use of tax vendors as well as attitudes toward *Big Four* and non-*Big Four* tax vendors.

Approximately 90% of survey respondents report outsourcing their programmes’ tax compliance work, which is slightly lower than but still comparable to results from the 2009 and 2010 *Outsourcing* surveys.

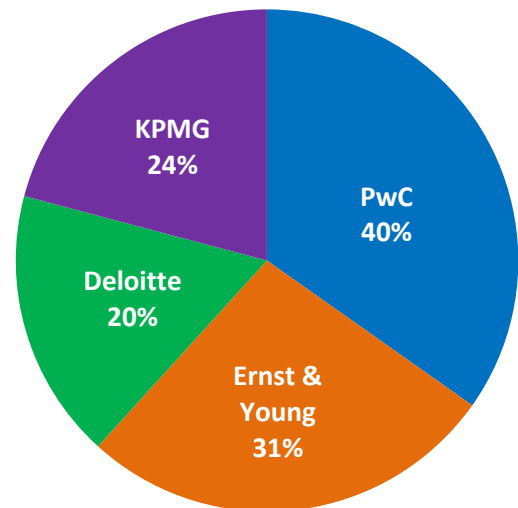
(48 Responders / 0 Skipped)

Using the Big Four

The vast majority of respondents use *Big Four* firms, with many companies utilising more than one firm for their mobility needs – as evidenced by the combined 115% response rate.

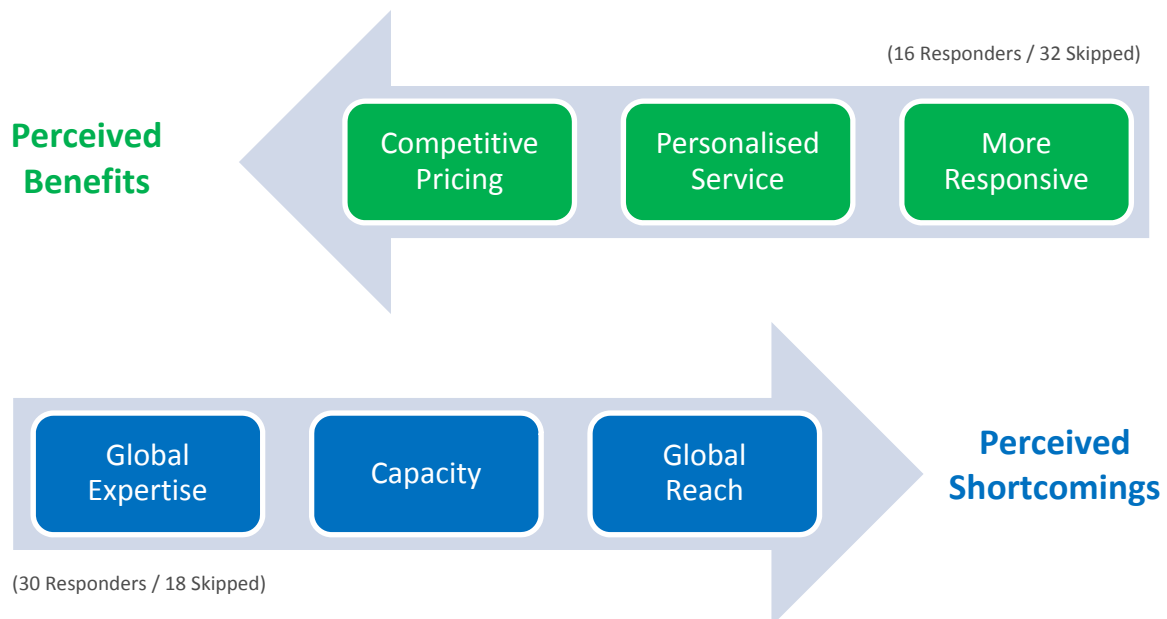
Over 56% of participants said that they would not consider, now or in the future, using a non-*Big Four* financial services provider for tax advice or compliance work. However, 33% said that they *would* consider using a non-*Big Four* firm.

(46 Responders / 2 Skipped)



(45 Responders / 3 Skipped)

Using *Non-Big Four* Providers



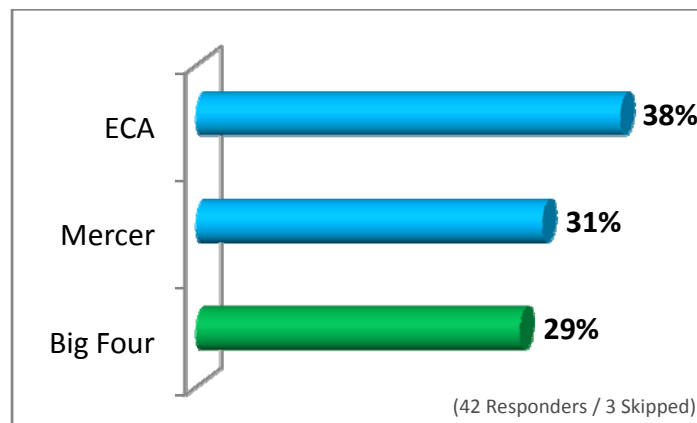
The cross-border (dual tax) and net benefits nature of assignment packages and the compliance requirements surrounding this topic suggest that companies are far more comfortable outsourcing expatriate tax management, usually to *Big Four* tax vendors.

The current economic climate, however, encourages creative solutions that can mitigate cost without compromising business needs.

Data Providers

The 2009 survey on *Systems Used to Calculate Expatriate Compensation Data*⁵¹ found that the vast majority of respondents (80%) partner with an external vendor to obtain assignment-related compensation data. (45 Responders / 0 Skipped)

Amongst the 80% who outsource this function, the most popular data providers were ECA, Mercer, and the *Big Four* firms; ORC and AirINC garnered 19% and 17% of responses, respectively.



When assessing data providers, it is worthwhile to note that whilst companies may offer varying indices (e.g., mean-to-mean, efficient purchaser), it is well known that Cost of Living survey outcomes vary from one data provider to another.

It is worth spending the time talking to peers in other companies and determining where to position your company in terms of richness of allowances. Also, it is important to check that the data provider under consideration can provide all location data required, especially for those companies who frequently expatriate employees to locations off the beaten track.



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CONCLUSION

As I introduced this report, it seems opportune that I also provide the closing statement.

After reading each chapter of the report, it is apparent that the e-surveys conducted amongst the RES Forum members have resulted in a great amount of detailed facts on several topic areas. There is absolutely no question about the importance and timeliness of the data generated, especially given that forum members suggested the topics as well as the questions to be surveyed.

Survey topics cover relevant areas and issues related to assignment management, such as assignee selection, repatriation planning, and compensation. These topics have been around for a long time (at least as long as I have been involved in the arena, which is over 20 years now!), but the findings clearly show that organisations continue to evolve their thinking and accordingly their practices concerning international assignments.

An example of such a progression is the inevitable drift towards more localised packages, as well as segmented approaches to the support offered depending on the strategic category into which an assignment falls. Undoubtedly, these practices and models will continue to adapt to meet the requirements of changing commercial, economic, and even demographic circumstances.

Already realised changes in circumstances are reflected in the topics studied – mobility professionals need benchmarking information about these new issues. Cost containment strategies and pressures have brought localisation planning to the table, as well as alternate assignment modes. The increased activity and cooperation of authorities in different countries has amplified the emphasis on compliance issues.

Companies are extending their operations to new countries, which again brings up the need to learn about such basic issues in new markets as compensation in Sub-Saharan Africa. Latest studies indicate that in global mobility, the most important themes are still the economic climate and cost savings in international assignment programs. Furthermore, these studies typically list new locations as one of the emerging trends.

When putting these issues into one equation – *the current economic climate*, which decreases many potential assignees' willingness to leave their job in the home country; *cost savings*, which reduces the attractiveness of assignment packages; and *new locations*, which often represent so called "high-risk" countries even to assignees' personal safety – we can easily

conclude that creativity as a key element of the Human Resource mobility professionals' toolkit is in high need when aiming at solutions which are acceptable, not just to the organisation but also to the employee.

In finding solutions, I believe that keeping the following basic principles in mind helps one to make the right decisions:

- Make sure each and every assignee is sent for the right business reasons, and that the objectives for the assignment are crystal clear to the relevant parties.
- When you are clear on this, the next step is to implement the assignment process professionally and without cutting corners.

There are already too many examples where Return On Investment from an international assignment has not been realised to its full potential because cost savings have been taken too far, affecting the ability and the motivation of the assignee to succeed in the assignment.

I look forward to reading the RES Forum 2011 Annual Report and seeing how these trends develop over the next twelve months.

I hope you enjoyed reading this report as much as I did.

Marja Tahvanainen, D.Sc. (Econ.)

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Founder and Chairwoman of the IHRM Club**

RES-Forum E-Surveys Referenced in This Report

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- 1 Talent Management of International Assignees, June 2010 (70 participants).
 - 2 Talent Management and Mobility, July 2009 (47 participants).
 - 3 Hiring and Reward, November 2009 (57 participants).
 - 4 Expat vs. Local Terms, May 2010 (67 participants).
 - 5 Local-Local Policy, March 2010 (14 participants in Finance, Banking, Professional Services).
 - 6 Localisation, January 2009 (39 participants).
 - 7 Local Plus Packages in Asia – Hong Kong, Japan, Singapore, June 2010 (54 participants).
 - 8 Career Expats, October 2009 (64 participants).
 - 9 International Business Trips, February 2010 (57 participants).
 - 10 European Intra-Regional Mobility Policies, August 2009 (54 participants).
 - 11 Expatriate Payroll Practices, May 2009 (67 participants).
 - 12 Career Expatriates, October 2009 (64 participants).
 - 13 Repatriation Allowances, December 2009 (70 participants).
 - 14 Application of Negative COLA, July 2009 (64 participants).
 - 15 Miscellaneous Policy, March 2009 (47 participants).
 - 16 Expatriate Bonus Payment, April 2010(68 participants).
 - 17 Final Salary Pension Schemes, December 2009 (60 participants).
 - 18 Offshore Pension Plans, July 2009 (56 participants).
 - 19 Expatriate Club Membership, February 2010 (72 participants).
 - 20 Provision of Company Cars for Expatriates, March 2010 (65 participants).
 - 21 Insured Expatriate Benefits, September 2009 (54 participants).
 - 22 Home Leave Policies, April 2010 (54 participants).
 - 23 Expatriates in Russia, June 2010 (71 participants).
 - 24 Handling of Expats in the Middle East – Saudi Arabia & Libya, March 2010 (60 participants).
 - 25 Sub-Saharan Africa Salary Delivery, July 2009 (46 participants).
 - 26 Managing Short-Term Assignments, June 2009 (62 participants).
 - 27 Short-Term Assignment Allowances, March 2009 (39 participants).
 - 28 Hiring & Reward – International vs. Local, November 2009 (57 participants).
 - 29 Destination Pay Approaches to Temporary Assignments, August 2009 (62 participants).
 - 30 Assignment-Related Tax Services, December 2009 (69 participants).
 - 31 Application of Tax Equalisation Policies to Low Tax / No Tax Locations, June 2009 (50 participants).
 - 32 New Country Start-Ups, August 2009 (52 participants).
 - 33 Permanent Establishment (PE) Risks in India, July 2009 (32 participants).
 - 34 China SAFE – State Administration of Foreign Exchange, March 2009 (26 participants).
 - 35 Dual Career & Dependent Support, February 2010 (65 participants).
 - 36 Relocation & Partner Support, December 2009 (76 participants).
 - 37 Education Support, February 2010 (71 participants).
 - 38 Compassionate Leave Policies, May 2010 (54 participants).
 - 39 Policy Support for Duplicate Assignment Costs (Housing, Utilities, etc.), May 2009 (43 participants).
 - 40 Managing Leases for Expatriates, June 2010 (70 participants).
 - 41 Home Purchase on Assignment, April 2010 (65 responses).
 - 42 Housing Practices – Beijing, China, June 2010 (43 participants).
 - 43 The Role of the International Assignment Manager, April 2009 (50 participants).

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- 44 Training/Accreditation of Global Mobility Specialists, July 2009 (57 participants).
 - 45 Strategic Priorities in Mobility, March 2010 (53 participants).
 - 46 Miscellaneous Policy and Current Economic Situation, February 2009 (57 participants).
 - 47 Key Performance Indicators (KPIs) Use for International Assignments, September 2009 (66 participants).
 - 48 Outsourcing and Assignment Management, March 2010 (75 participants).
 - 49 Outsourcing, January 2009 (42 participants).
 - 50 Expatriate Tax Vendors, April 2009 (48 participants).
 - 51 IT Systems Used to Calculate Expatriate Compensation Data, June 2009 (45 participants).