

RES Forum Survey On Developing Trends In Assignment Policy And Programme Management

The RES Forum is a unique community in the global mobility space, being composed exclusively of in-house mobility professionals. The Forum's aim is to share and benchmark best practice in mobility and international HR between 350 members ranging from fortune 250 companies with 5,000+ assignees to smaller programmes of 30 assignees.

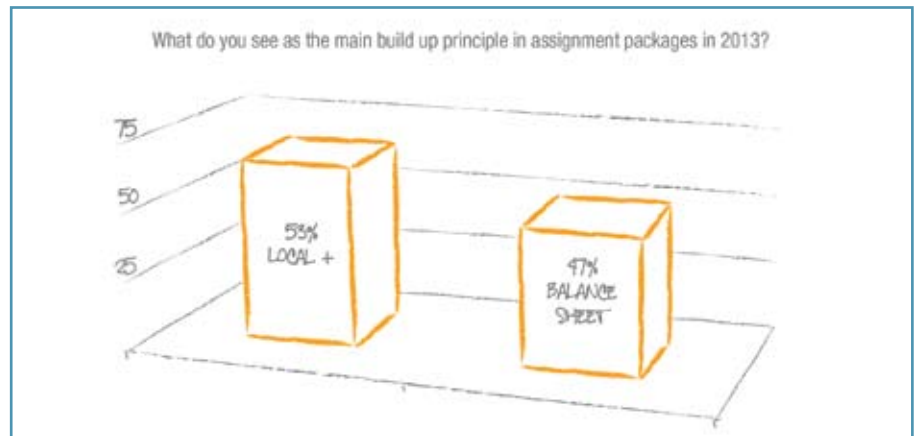
As the data generated within the RES Forum is exclusively user driven, the Forum is uniquely positioned to understand the issues and trends which are keeping mobility professionals awake at night. It is with interest, therefore, that we have observed a number of emerging trends in assignment policy and programme management, specifically in relation to local+, enhanced local and localisation of assignees at assignment end. This article combines several surveys conducted within the RES Forum during the last quarter of 2012, covering responses from 100 companies on trends in these areas. Observations are made as to what the answers mean for mobility, HR and organisations with internationally mobile employees going forward.

Shift from balance sheet to local +

As the hot topic on everyone's lips for what seems the last 5 years, 2013 could finally be the year that local+ overtakes the balance sheet as the concept of choice in the design of assignment packages.

53% of surveyed RES Members saw this approach as overtaking the balance sheet within their organisation, and, overwhelmingly, when respondents were asked why this was the case, 'cost' was considered to be the main driver. This is a continuing theme in the RES Forum, as when the same question was asked in 2011, cost was the main driver for 68% of respondents.

One respondent mentioned the term 'co-investment' from employee and company as being the driver. In our experience this is closer to the truth of the situation, namely an investment of time, commitment and cost potentially from both parties in what is something that can ultimately deliver value to both.



The reality is that companies are looking at very simple cost-benefit models to ascertain the benefit to the company of expensive international assignments. Local + moves represent cheaper assignments on a cost-to-company basis, and if they can be offered to emerging talent they represent development opportunities that would not necessarily be available at home to the same emerging talent.

Another noticeable philosophical change in focus for companies, is that whilst in the past assignment compensation was about keeping whole with the home country, now assignment compensation is seen as an enhanced version of a local contract, with the aim of the enhancements being to help transition employees to the new location.

An interesting area questioned in the same survey on local+ was what benefits, if any, are typically provided to local+ assignees. The main benefits provided were integration and orientation benefits such as cultural training, partner support

and settling-in services.

And it might surprise you that when we look at the RES Forum policy benchmarking tool, those same benefits are provided under a full balance sheet policy (80% cultural training, 65% partner support, 80% settling in services).

So you might ask what is the difference then between the packages offered to local+ and traditional balance sheet assignees?

The answer is not in the provision of the benefit but how the benefit is received. Local+ assignees typically receive assignment benefits on the gross basis (meaning the assignee pays any income tax arising) whilst in the traditional balance sheet model benefits are usually delivered net, meaning the company pays all income tax arising. The difference in cost can be astronomical as paying the tax on behalf of an assignee can add around 50% to the cost of the benefit.

Finally, a telling response to the local+ survey was when members were asked what, if any, protection they offer to local+ assignees on FX and exchange rates. Clearly RES member companies do not typically offer any support in this area - and why would they? As the RES Forum discussed in their 2012 annual report, with local + comes a shift away from the traditional equalisation to the home country and the 'no better/worse off concept'.... in the world of local+ 'local' really does mean 'local.'



Localising international assignees

Localising international assignees when

a temporary assignment becomes permanent has presented many challenges to companies over the years as assignees get used to their expatriate perks, considering the benefits to be materially part of their core compensation and benefits package.

This is somewhat validated by typical assignment length - when we last surveyed RES members in late 2012 asking when localisation commences, our members indicated that this typically happens after 5 years although many do start considering localisation from as early as 3 years in to the assignment. Either way, such long periods in receipt of assignment benefits and perks will psychologically make it difficult to give up assignment benefits when the time comes.

It was not surprising therefore that in the case of a localisation, 50% of respondents protect the assignee's housing and dependent schooling at the end of an assignment to ease the integration into local terms, albeit this is normally capped at 2 years by the majority of companies.

Interestingly, from our previous research in this area in early 2012, many companies also phase out COLA which seems at contradiction with the 'local' element of localisation

but again talks to the difficulty in materially reducing an assignee's package.

To deal with the negative perception of localisation, upfront 'contracting' is the key as to whether this can be effectively achieved. Clearly framing assignment duration terms both in the assignment policy as well as the assignment letter will ensure that there are fewer surprises at the end of an assignment. Also having the localisation approach codified in the policy ensures that there cannot be an expectation that generous assignment terms can continue ad infinitum.

The impact of these trends on the mobility and development of 'Talent'

Although there is a wide range of reasons for selecting an employee to go on an international assignment, the development of talent, both in the 'broad talent' and 'key talent' sense, is becoming increasingly linked to global mobility within organisations.

From a survey we completed in late 2012, 80% of our members use assignments to fill a talent gap, whilst 66% use assignments as a means of developing

emerging talent.

However, whilst mobility is increasingly seen as a lever in talent management and employee development, it is just that - one lever amongst many that organisations can use to develop and engage their workforce.

From our regular interactions with our membership it is clear that mobility specialists are increasingly working closely if not forming part of the talent management function within their respective companies. But this is not enough. For organisations to move from a transactional and reactive view of mobility to a view which sees mobility as a strategic function the concept of employee mobility needs to form part of the DNA of all HR practitioners and senior management. Indeed, when that is achieved the requirement for a dedicated mobility function could in theory disappear altogether.



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