

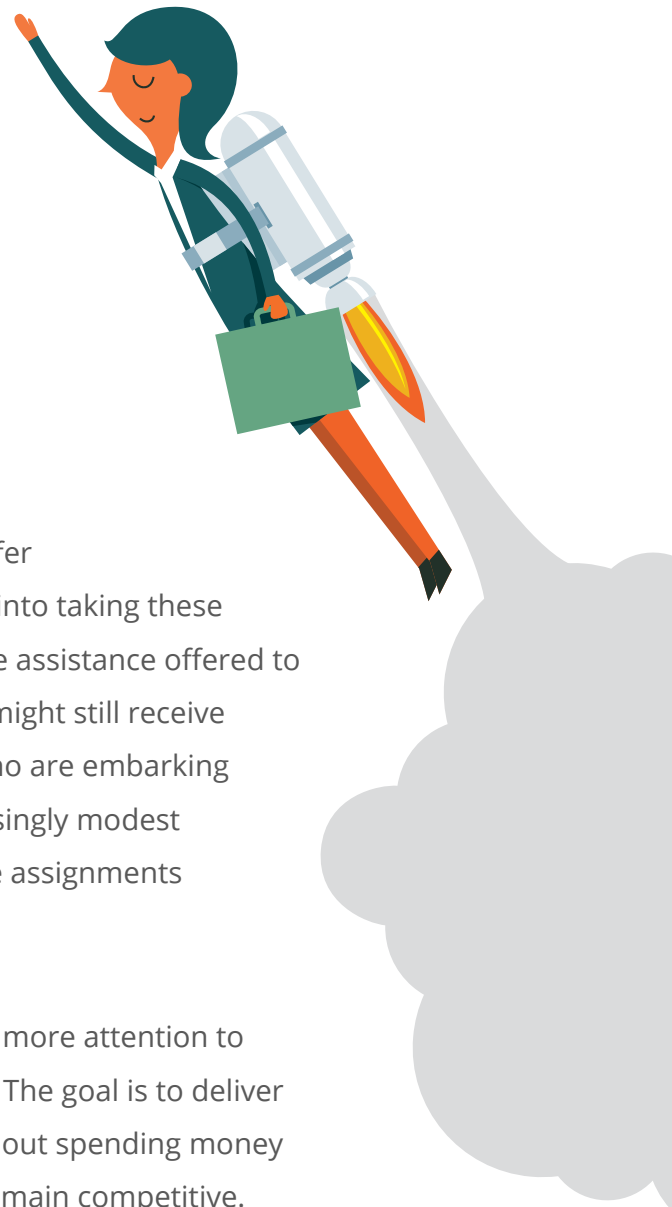
International Policy

BEST PRACTICES



Best Practices in Global Mobility

In an increasingly volatile world, companies are trying to ensure their global mobility strategy remains competitive while maximizing their return on investment from costly global assignments. Interestingly, more employees are interested in a global stint now than in the past, even those at relatively junior levels. In many organizations, realizing one's career potential all but requires a global assignment.



Because of this, employers usually do not need to offer windfall-level benefit packages to coerce employees into taking these assignments, and there is much more variation in the assistance offered to global assignees than in the past. Senior executives might still receive rich packages but more inexperienced Millennials who are embarking on developmental assignments might require surprisingly modest assistance. As a generalization, they do not see these assignments as the hardship more senior employees often do.

These changed demographics free employers to pay more attention to cost containment when they are developing policies. The goal is to deliver the support needed for a successful assignment without spending money on unnecessary frills that may not be necessary to remain competitive.

The following trends and best practices will help you to assess your global mobility policies in light of current realities.

KEY TRENDS IN GLOBAL MOBILITY



“Global citizens” and mobility. According to Mercer, “global citizens” include traditional expatriates, “inpatriates” (sent from foreign locations to garner skills and experience at headquarters), third-country nationals and global nomads, and individuals whose personal background or previous work experience (they may have lived elsewhere or speak different languages) suit them for cross-national assignments. Many organizations have global citizens in their ranks without even knowing it and it is to their advantage to identify and develop these employees. It is somewhat easier for recruiters to look for global citizen qualities in potential new hires.



More flexibility in expatriate benefits, creating a more satisfying experience for the assignee and lower costs for the employer. As suggested above, a variety of global assignments and assignment objectives allows for different levels of support. For employees on developmental assignments, full relocation packages may not be necessary. Utilizing a Core/Flex or a Managed Lump Sum approach rather than an overly generous full package can be more cost effective for the employer and sufficient to get the job done for the assignee.



Spouse and family concerns continue to be a leading cause of failed assignments. Although this is not necessarily new or a trend, it requires mentioning. Surveys routinely confirm that spouse/family issues are the most common or second most common reason for a failed assignment. In long-term assignments, the family might never have adapted to the new location. In short-term assignments, it can be the stress stemming from long periods away from home. These might seem like personal issues, but if an assignee is stressed due to home and family issues, that stress can manifest itself in lower productivity, distraction, increased absences and unwillingness to take on future global assignments. While cost-control is important, it is in the employer’s interest to assess and select candidates carefully and to provide for appropriate counseling for the employee and family. A failed assignment is much costlier than candidate assessment and counseling.



Compensation & Benefits

Base Salary and Bonus

The Base Salary and Bonus is annual compensation and any applicable bonus associated with the position, but not connected in any way to the assignment. Employers base this on home country norms.

Foreign Service Premium

A Foreign Service Premium is an incentive payment for an employee to take an international assignment. Employers often calculate the FSP as a percentage of base salary and tax protect the payment. In many cases, an FSP is no longer necessary since many employees seek out international assignments. However, there are instances where a global assignment may require an added incentive and in those cases, a Foreign Service Premium would be the best practice. Sometimes an Assignment Completion Bonus replaces a Foreign Service Premium.

Hardship Allowance

Employers might offer a Hardship Allowance to an expatriate who will be on assignment in a location with difficult living and working conditions. Factors used to determine the hardship levels include climate, traffic, violence, disease, infrastructure, education quality, housing, and more. The allowance is usually a percentage of base salary based on upon the hardship rating of the city or country as published by the U.S. State Department.

Hazard (Danger) Allowance

Hazard Allowances compensate for working in areas of civil war, extreme terrorism or where wartime conditions threaten physical harm to the health or well-being of the assignee and family. The allowance amount is based on the danger rating of the host country as published by the U.S. State Department and is paid as a percentage of base salary.

Relocation Allowance

A Relocation Allowance is a one-time payment intended for expenses not specifically reimbursed or covered in other areas of the company's global mobility policy. It is typically one month's salary OR a capped, specific amount (for example, \$10,000 for long-term assignments and \$2,500 for short-term assignments).

Cost of Living Allowance (COLA or also known as Goods and Services Differential)

The COLA compensates assignees for the incremental cost of purchasing typical goods and services in the host location. Employers offer a COLA when the spendable portion of the assignee's income is significantly less in the host country than in the home country. An independent data provider calculates the differential based on the assignee's salary and family size and the cost of living in the home and host locations. Companies may choose to review the COLA figure on a quarterly, semi-annual or annual basis. Additionally, companies may choose to review at a non-specific time if exchange rates between the home and host countries fluctuate more than five percent.

Housing Allowance

The host country Housing Allowance usually depends on the assignee's level within the company, home and host cities (and appropriate expat neighborhoods) and family size. A third-party data provider provides this figure and employers usually review the allowance when an assignee's lease is up for renewal.

Utilities Allowance

A Utilities Allowance is an ongoing allowance intended to cover basic utilities in the host country. For short-term assignees, the utilities allowance is typically included in lease amounts. For long-term assignees, a third-party data provider calculates this allowance based on the home and host cities, family size and size of the host country residence.

Transportation Allowance / Company Car / Rental Car / Car & Driver

Transportation assistance is typically dependent upon the assignment location, family size and type of assignment. An independent data provider calculates the amount. It can cover all or part of the assignee's host location personal car rental, car and driver or public transportation expenses.

Per Diem Allowance

Best practice is to use the Per Diem allowance for short-term assignments only. The benefit is location-specific and intended to cover meal and incidental expenses to offset the difference in costs of goods and services between the home and host countries. This is the short-term assignment equivalent to the long-term assignment cost of living allowance. An independent data provider calculates the amount based on the home and host cities.

Repatriation Allowance

A Repatriation Allowance is a one-time payment intended for expenses not specifically reimbursed and paid to the assignee at the end of his/her assignment. Best practice is for the amount to be a set, capped amount that is less than the relocation allowance received at the start of the assignment.

Assignment Completion Bonus

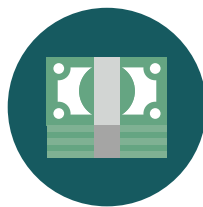
Assignment Completion Bonuses are not best practice; however, they are sometimes a useful tool. The bonus is a percentage of base salary, based on the length of the assignment and whether the assignee met the assignment goals and objectives. The focus on goals and objectives arguably makes this more of a regular, performance-based bonus than a relocation benefit.

Medical / Dental Benefits

Best practice for Medical/Dental benefits is to provide home country benefits through an international medical insurance policy. This may supplement the assignee's home country coverage.

Vacation Time

Best practice for assignees is to continue to observe the home country vacation policy. Assignees accrue vacation time based on their position and tenure with the company unless local country law requires a different minimum accrued time.





Pre-Assignment Assistance

Candidate Assessment

Best practice is to ensure that candidates possess the personal characteristics, technical know-how and professional expertise to be successful before embarking on a global assignment. Unfortunately, immediate business needs sometimes trump this important step.

Medical Exams / Immunizations

Proper medical evaluations help ensure the good health and well-being of assignees and are often required per host country immigration. Employers should reimburse any costs not covered by medical insurance.

Visa and Immigration

Compliance with home and host legal and immigration laws is essential. Non-compliance can put the assignee and company at grave risk. Employers should reimburse any out-of-pocket costs to the assignee.

Pre-Assignment Visit

A Pre-Assignment Visit (Look-See Trip) for the assignee and spouse/partner is typical before the assignee accepts a long-term assignment (children are policy exceptions). Best practice is 5-10 days, including travel time. These trips adhere to the corporate travel policy and include hotel, meals and transportation. They usually include an area familiarization tour, housing search and school visits.

Tax Orientation / Ongoing Tax Assistance

The Tax Orientation is an opportunity for the assignee to meet with tax experts to discuss the employer's tax treatment of the assignment benefits. Best practice is tax equalization, which simply means that the assignee will not suffer a loss or a gain from going on assignment. Essentially, the assignee should be paying a similar amount of taxes as he would have if he stayed in his home country and did not go on assignment. It is also best practice for the employer to pay for outside tax preparation each year the employee is on assignment and the first year following repatriation.

Language Training

If needed, Language Training should begin before the assignment and ideally, continue after arrival in the host country. Up to 100 hours is standard with additional hours as an exception when necessary. Family members are sometimes included as well since they will need to function in daily life in the host country.

Cross Cultural Training

One to two days of Cross-Cultural Training facilitates cultural understanding and helps to ensure a more successful adjustment for the assignee and family. Many programs focus on living in the new culture for the first day and working in the new culture the second day.



Home Country Assistance

Property Management

Most employers do not offer home country home selling assistance, assuming the assignee will return to the home country residence. Instead, best practice is to offer Property Management services throughout the assignment. This may include rental management and/or vacant home maintenance. If the home is rented during the assignment, some employers will claim the rent received to offset the host country housing costs. Renting the home during the assignment has become less common because assignees generally resist the idea and it is often impractical.

Lease Cancellation

For assignees who rent in the home location, most companies will offer Lease Cancellation assistance of up to two months' rent.

Home Country Automobile Disposition

Automobile benefits include loss on sale reimbursement from selling a car or penalties related to early termination of a lease. The amount is the difference between the published, current value of the car and the sale or trade-in price obtained.

Long Term Household Goods Storage

This includes ongoing storage of reasonable items (restrictions apply) in a climate-controlled facility during the term of the assignment. The benefit includes delivery out of storage within 30 - 60 days after the assignment ends.



Mobilization to the Host Country

Final Move

Final Move benefits include economy airfare (often business class if the flight is longer than 8-10 hours), 3-5 nights of hotel accommodations and actual cost of meals for the assignee and family.

Temporary Accommodations

Best practice is to provide furnished living accommodations until the household goods shipment arrives and/or the leased property is move-in ready. The standard benefit is 60 days between the time household goods are packed (departure) and until they are delivered at the destination.

Household Goods Shipment

The Household Goods Shipment can include air, sea or land shipment of household possessions. Allowances include an air shipment of 500 - 1000 lbs. and a 20ft - 40ft sea shipment container. The allowances depend on family size. Short-term assignments typically get an air shipment only and/or excess baggage on the flight.



Host Country Assistance

Destination Services

Usually the relocation management company retains a local destination service provider to provide host country Destination Services. Best practice is a 2-4 day program, including area orientation, registration with local authorities, setting up banking, home search, school enrollment, and other services.

Dependent Education Assistance

Dependent Education Assistance includes reimbursement/payment for private school enrollment fees, tuition, uniforms and books, if adequate public schooling is not available. Host schooling must be equivalent to what the child(ren) received in the home location. If the child attends private school in the home location, the assignee will expect this in the host location. Employers usually cover any cost difference between the home- and host-country school costs. If the child attends public school at home but suitable public schools are not available in the host location, the employer typically covers the full cost of private school.

Housing / Tenancy Management

The relocation management company usually oversees the entire host country housing process. Best practice is to cover the security deposit, monthly lease payment and tenancy management fees. The employer or relocation management company typically makes these payments directly and the host country tenancy management team interfaces with the landlord on behalf of the assignee.

Spouse / Partner Career Transition Assistance

Career Assistance helps the spouse/partner adapt to the new country/location. It often includes career counseling (if local labor laws permit), tuition costs, licensure fees, professional dues and professional/personal development fees. Best practice is set to a capped amount of between \$2,000 and \$2,500 for this benefit.

Home Leave

Home Leave helps assignees and families to maintain ties with the home country office, friends and family. Best practice is for one home leave trip for the entire family per completed year on assignment. The benefit includes round trip airline tickets only.

Emergency Leave

Emergency Leave includes round trip travel expenses to the home country in the event of a medical or personal emergency, as approved by the assignee's manager.

Emergency Evacuation

Employers should always be prepared to relocate the assignee and family members to a safe location if host country conditions deteriorate to unacceptable levels. This is done by working with an outside provider who specializes in emergency evacuations.



Repatriation

Final Move

Final Move benefits include economy airfare (often business class if the flight is longer than 8-10 hours), 3-5 nights of hotel accommodations and actual cost of meals for the assignee and family.

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Temporary Accommodations

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Host Country Automobile Disposition

Automobile benefits include loss on sale reimbursement from selling a car or penalties related to early termination of a lease. The amount is the difference between the published, current value of the car and the sale or trade-in price obtained.

Repatriation (Cross Cultural) Training

Repatriation benefits help assignees and families to reintegrate into the home country society and business culture. This is typically a half-day or one-day program.



TRC Global Mobility Services

Get more information about how TRC can help with your company's employee relocation needs.

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Employee talent mobility is TRC's only business. Our comprehensive domestic, international and government relocation services empower clients to achieve their business objectives in the US and globally in more than 150 countries worldwide.

As an independent, employee-owned relocation services company, we are free to focus exclusively on our clients' best interests without outside interference from a parent household goods or real estate company. This independence also gives us a unique ability to customize programs, reporting, technology and terms to meet each client's needs.

While we bring 30 years of experience to each client relationship, there is no ironclad "TRC way" to approach relocation challenges. As experienced talent mobility specialists, we work with each client to structure best-practice talent mobility programs or to meet exacting government relocation service requirements.