

TRENDS IN COMPENSATION FOR INTERNATIONAL COMMUTER ASSIGNMENTS

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In spite of the ups and downs of the worldwide economic situation, globalization continues to have a major impact on the need for talented and highly mobile employees willing to undertake international assignments. Some of these individuals cross national borders on a regular basis—not as business travelers, but as “commuter” expatriates.

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WHY COMMUTERS OFFER A PRACTICAL ALTERNATIVE

The general scenario involves employees who live in one country, work in another country, make frequent and regular trips to the same work site, and leave the family at home. What makes a commuter assignment feasible usually depends on two key factors—the company's business need or the employee's family situation—for example:

- The assignment may be project- or task-oriented, similar to a short-term assignment, whereby a specific task needs accomplishing in the host location.
- The business unit might need the employee's expertise in both the home and host locations on an ongoing basis.
- Geographic proximity between the home and host locations encourages commuting, making it cheaper to have the individual travel back-and-forth (e.g., every weekend) rather than uproot and relocate the family.

- The employee's family does not want to relocate and leave behind the children's school, the spouse's job, family, friends, and the neighborhood community. Or, perhaps the family is concerned about local conditions in the assignment location, such as climate, pollution, crime, or other factors.
- Management wants to save money and has determined that it is less expensive to pay a per diem or reimburse expenses for a commuter assignment than provide allowances for relocation, cost-of-living, housing, and so on for a traditional assignment.

Regardless of the rationale for implementing such assignments, commuters generally fall into one of two categories:

- Long-term commuters on assignment for more than 12 months
- Short-term commuters on assignment for a period of three months to a year

EXHIBIT 1

Who's in Charge?

Which department has responsibility for administering commuter employees under this scenario?

Department Responsible	12 Month+ Assignment	3–12 Month Assignment
Corporate human resources	28.4 %	22.9 %
Regional human resources	6.2	8.3
Home-country human resources	21.0	18.8
Host-country human resources	1.2	0
Global mobility	27.2	27.1
Business or line unit	3.7	8.3
No department has overall responsibility	4.9	4.2
Other	7.4	10.4

Source: ORC Worldwide's 2009 Survey of Short-term International Assignment Policies

According to ORC Worldwide's 2009 Survey of Short-term International Assignment Policies, the longer-term commuting assignments are more prevalent in Europe, reflecting the easier transit between neighboring European countries, as compared to Asia.

HOW COMMUTERS ARE PAID

Corporate human resources or the global mobility department typically has responsibility for administering the assignment packages paid to commuters (see chart, "Who's in Charge?"). When it comes to policy, are commuter assignees compensated in a similar fashion to long-term assignees, short-term assignees, or business travelers? In general, management considers international commuters as employees on business trips, often providing per diems or reimbursing expenses rather than paying out typical assignment-related allowances for cost-of-living, housing, education, and so on.

Participants in ORC's survey reported the following general policies and practices for commuter assignments:

- The commuters remained on the home-country pay and benefits structure.

- Most participants prefer to tax equalize commuter pay to the home country.

- For commuters on assignment less than a year, one third of the participants paid for trips home to visit the family four or more times a month. For longer assignments, only one fifth allowed that many monthly trips home. While some organizations mandate a limit on the frequency of trips, others link the number of home visits to business requirements. Overall, however, a practical guideline appears to be that the number of home-leave trips is dependent on the home-host country combination, the time needed for work at the host location, and the family situation.

- Roughly 45 percent of participants provide some assistance to employees who drive back and forth between the home and host locations, most often in the form of mileage reimbursement.

- Employers treat housing accommodations as they would business travel. The commuter generally lives in a

hotel, serviced apartment, or furnished non-serviced apartment. There is no need for an overly spacious residence (or one situated near international schools) since commuter assignees—like most short-term assignees—work in the host location while their family remains in the home country. Less than 20 percent of the participants provide the same housing arrangement as that granted for a traditional long- or short-term assignment, regardless of the duration of the commuter assignment.

- The majority of respondents do not provide premiums and incentives to commuters, while a very small percentage pay a reduced premium.

- A per diem is the leading method for handling expenses for daily living and meals, followed by reimbursement of those costs.

LOOKING AHEAD: BALANCING PROS AND CONS

Are commuter assignments worth the effort? As one participant stated, such assignments are very hard to handle from a management point of view, as well as from the perspective of tax and social contribution compliance. For example, depending on the commuter's duration in the host country, compliance with local tax laws and bilateral tax treaties may become an issue.

However, commuter assignees will continue to be an important category of transferees in their own right and a legitimate option, where feasible. As companies increase their efforts to balance employee work-life issues with corporate objectives and financial constraints, a commuter assignment offers a cost-effective, flexible, and satisfactory solution for all parties.