

# SHORT-TERM EXPATRIATE VS. COMMUTER: WHAT'S THE DIFFERENCE?

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In recent years, human resources managers have been using an increasing diversity of assignment types to meet the challenges posed by the combined pressure to cut costs, meet corporate goals, and address employee needs. Nearly two thirds of the participants to the *2006 Global Survey of Short-Term International Assignment Policies*—conducted jointly by ORC Worldwide, TheMIGroup, and Worldwide ERC as a follow-up to similar studies in 2000 and 2003—reported using more assignments that typically last from three months to a year, with a steady increase in such assignments into the Middle East, Asia-Pacific, and eastern and central Europe. Some of these regions represent emerging markets; others are dangerous or difficult locations to which one might not wish to bring a spouse and children. Nearly half (45%) cited an increasing use of commuters who travel back and forth between the home and host locations on a regular basis.

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Yet, while 44.4% of the respondents have a separate policy for their short-term assignees (different from the long-term policy), only 9.6% do so for commuters—leaving room for negotiation, inconsistency, and inequity. A look at how employers view commuter assignments, the reasons for their use, and how they differ from short-term assignments in terms of compensation can help clear away some of the confusion.

## WHAT EXACTLY IS A COMMUTER?

A short-term assignee is relatively easy to define—that is, an employee who lives and works in a host location (sometimes with family, sometimes not) for a period that runs from three months to a year (according to the survey, an average of 8.4 months). Commuters, on the other hand, generally live in one country, work in another, make frequent and regular trips to the same work location, and leave the family at home. What makes a commuter assignment feasible often depends on the company

policy. For example, one employer stated that the flight time between the home and host locations for commuters had to be less than four hours.

How long do commuter assignments last? While 46.8% report no specific pattern for the length of such assignments, there is an overall belief that they may last longer than short-term assignments. On the other hand, some companies report the duration as anywhere from two weeks to less than three months, while roughly one quarter (27.8%) implement such assignments for a period of less than six months. And others may assign commuters without an end in sight so that the employee may live permanently in one home location but work permanently in a foreign host location, transiting back and forth.

How often do “normal” commuters shuttle back-and-forth between the home and host locations? Some of them return home daily or weekly (e.g., Mexico-Texas or Canada-U.S. assignees living and working near the border, or European Union commuters); others

follow different schedules. The assignee may also:

- Fly-in and fly-out on a regular basis due to dangerous conditions or a remote work-site (e.g., an oil rig).
- Travel to multiple host locations or work for a client at multiple worksites.
- Work for various clients at different sites or at different office locations.
- Spend a certain percentage of the workweek (one respondent cited 40%) in another location.

All of these responses serve to underscore the wide variety of commuter assignments even within the narrow framework of a routine back-and-forth commute. So, how else do they differ? The rationale behind the assignments offer some answers.

### WHY USE EITHER TYPE OF ASSIGNMENT?

Traditionally, one of the driving forces behind the use of short-term assignments has been the unrelenting pressure to reduce expenditures—not that short-term assignments are cheap, either. While cutting costs continues to be an important factor in the use of shorter assignments for 25.1% of the survey participants, there are additional reasons for their use:

- The assignment is project-based, whereby a specific task must be accomplished in a particular host location (80.4% of respondents).
- The assignee is responsible for the transfer of knowledge with regards to systems, procedures, products, and so on, from headquarters or other

office facility to field operations or vice versa (72.5%).

- The company is starting a new business or operation in the host country; related work might include pre-operational marketing research, facility construction, initial staffing and training, and other tasks (55.6%).
- Training of personnel is necessary and requires field personnel traveling to headquarters as inpatriates or vice versa (40.9%).
- The company is experiencing resource shortages (35.4%) or a skill gap (34.2%) in a certain location, requiring employees to “fill in” for vacant positions for a defined period—either on a rotational schedule or until a permanent hire is found (35.4%).
- Management development programs enhance the experience of “high-potential” employees, increasing their value to the company as they move up the corporate ladder and gain new skills (31.2%).

Other reasons include sponsoring a cultural exchange, addressing dual-career issues, responding to an employee's preference, overseeing the host office or operation for a limited period, and handling sales responsibilities.

Although similar in some respects to the rationale for shorter assignments, those employees who become international commuters do so for the following reasons:

- The assignment is project- or task-oriented; similar to a short-term assignment, a specific task needs accomplishing in the host location (58.4% of respondents).

■ The employee might be required to work in both locations on an ongoing basis (50.2%).

■ Geographic proximity between home and host locations encourages commuting if the destination is within a reasonable distance from the assignee's home; in such cases, it would be cheaper to have the individual transit back-and-forth rather than uproot and relocate the entire family (41.6%).

■ The employee's family does not want to relocate; if children are in school or the spouse has a job, the company might find it advantageous for all to keep the spouse and children in place without moving the employee either (38.7%).

■ Cost savings are desirable, and it is less expensive to pay a per diem or the actual expenses for a commuter than provide allowances for relocation, cost-of-living, housing, and so on (20.8%).

■ The employee or family has expressed concerns about the host location, particularly if the destination presents hardship, remote location, or dangerous conditions; the family might not wish to move (7.2%).

### DO PAY PACKAGES DIFFER?

How do these two assignment types line up in terms of compensation? In general, management considers international commuters as employees on business trips, thus providing per diems or reimbursement of expenses rather than paying out allowances for

CHART 1

## What Housing Assistance Is Provided?

ASSISTANCE	SHORT-TERM ASSIGNMENTS	COMMUTER ASSIGNMENTS
Hotel	40.5%	63.8%
Serviced Apartment	58.9%	52.8%
Furnished Accommodations	62.6%	35.8%
Unfurnished Accommodations	6.6%	2.8%
Company-Owned Housing	12.3%	8.5%

Source: 2006 Global Survey of Short-Term International Assignment Policies (conducted by ORC Worldwide, TheMIGroup, Worldwide ERC)

cost-of-living, housing, and so on. In fact, HR is typically uninvolved in commuter assignment packages, which are often handled by the business unit and line managers. But HR's lack of involvement may lead to potential tax implications if no one with the right expertise is tracking the

movement of commuter assignees. Depending on the time period that the individual spends in the host country, compliance with local tax laws and bilateral tax treaties may become an issue. If the assignment does not extend beyond a certain length of time—often 183 days in many coun-

tries—the employee is not subject to host tax.

For short-term assignments, the majority of overall participants—71.1% (compared with only 29.3% for commuters)—follow tax equalization, with only 10.9% who tax protect and 9.5% keeping a hands-off approach, letting taxes be the employee's responsibility.

Regarding other pay matters, a key element is housing. Chart 1 ("What Housing Assistance Is Provided?") illustrates the different housing policies for short-term and commuter assignees. The fact that commuter assignments are treated more like a business trip is evident in that the majority of participants provide hotel accommodations vs. the majority that provide either furnished housing or a serviced apartment for short-term assignees. Chart 2, "A Comparison of Short-term and Commuter Pay Packages," provides an overall comparison of other compensation elements.

CHART 2

## A Comparison of Short-term and Commuter Pay Packages

COMPONENT	SHORT-TERM ASSIGNMENTS	COMMUTER ASSIGNMENTS
Trips home	■ 16.3%—every quarter	■ 24.6% weekly ■ 39.7% varies on location
Duration	■ 3–12 months	■ Varies
Host Location	■ Single	■ May be multiple
Transportation	■ 38.6% allowance ■ 35.6% company car ■ 35% rental car	■ 40.7% offer some form of assistance
Incentive	■ 14.2% of monthly salary ■ 7.6% lump sum	■ 7.7% foreign service premium ■ 9.9% mobility premium
Per Diem	■ 58.7%	■ 46.9%
Cost-of-Living Allowance	■ 21.8%	■ 9.2%

Source: 2006 Global Survey of Short-Term International Assignment Policies (conducted by ORC Worldwide, TheMIGroup, Worldwide ERC)

## THE STEADY TREND CONTINUES

Overall, in light of employee demographics, personal situations, spousal employment, and other pertinent factors, employers find it increasingly necessary to be flexible when sending employees to work in a foreign country. To achieve the company goals and satisfy the legitimate needs of their expatriate population, companies are implementing more and more short-term and commuter assignments.

With the steady increase in such assignments comes the requisite reconsideration of pay and benefit packages offered to each assignee type. One clear example of change that mirrors trends occurring for long-term assignments

is the rising number of companies that no longer pay premiums for acceptance of an international assignment. The rationale is simple: The offer of an overseas opportunity and its wealth of experience should be a sufficient incentive in and of itself.

As many companies are discovering, a single pay and benefits policy can no longer address the needs of all international assignees. Employers are now populating the expatriate ranks with commuting, short-term, long-term, and localized employees, along with an in-

ternational cadre who operate without a home base—and policies to fit each group. Knowing the difference between these assignee types will help ensure consistency and equity while decreasing the need for negotiating terms. ■