



## RELOCATION

BY SIOBHAN CUMMINS

# A Changing World

The emergence of the “global employee” is presenting companies with fresh new challenges and opportunities.

As increased competition forces companies to seek new markets globally, the demand for highly skilled and mobile executives who are prepared to live and work overseas continues to grow.

In the early days of expatriate assignments, policies and practices were unsophisticated and unstructured. It was normal for assignments to be somewhat open-ended, with expatriates sourced from headquarters.

Slowly the situation changed as companies became more experienced in operating internationally. Employees recognized a need to bring more structure and consistency into managing assignments, and a more systematic approach to calculating expatriate packages.

The concept of the “balance sheet” was born. Companies began to measure living costs, housing, hardship and the other data they needed to support the balance sheet. Over time, variations of this method have been adopted to meet evolving business needs and changing assignment patterns.

If we take a look at international assignment management today, we find ourselves at a crossroads. Organizations are faced with managing large and complex expatriate populations, with employees coming from many different home locations and going to more challenging host locations. There are more female expatriates and more types of assignments.

Nowadays, there’s greater resistance to relocate because of dual-career and spousal issues, the impact on children’s education of relocating, elder care for aging parents left behind, and concerns about career and future job prospects. One size no longer fits all.

### Expatriate Compensation

While the majority of firms continue to use the balance sheet as their preferred method for compensating expatriates, this approach has come under scrutiny in recent years and questions have been raised about its continued sustainability as a way to pay a highly diverse expatriate workforce.

A dramatic shift away from the balance-sheet method is unlikely, however. For years, companies have talked about a “new paradigm,” but so far, no new system has emerged. Most of the alternatives are far less attractive.

What we have seen is a trend toward the use of “multi-tier” policies, in which companies create an overall set of principles that form the building blocks of their international assignment policies. These policies allow them to analyze different types and patterns of assignments and develop “mini” policies that provide different terms and conditions for each assignment type.

As companies more aggressively source expatriates from less-developed countries such as India and China, the use of current expatriate pay systems without some



significant adaptation isn’t possible. To address this, companies have started to create hybrid systems and, in a few cases, have developed special international pay lines to overcome the problem of transfers from countries with very low base salaries.

It was expected that the introduction of the Euro in Europe would result in the use of more host-based packages, but this hasn’t happened because gross- and net-pay levels still differ significantly across the continent. Though most companies do, indeed, continue to use the balance-sheet method, it’s a more cost-effective version.

In Asia, companies are taking similar steps and introducing policies to deal with intra-China moves and foreign-local hires.

## Family Matters

The issue of dual careers is, without a doubt, the biggest barrier to international assignments. Participants in ORC's 2005 Dual Careers and International Assignments survey ranked it as the primary reason employees reject international assignments.

What is encouraging is that companies have come to recognize this fact. Most organizations have a formal or informal policy on spousal support. Few companies make up lost spousal income, but many provide a package of support options to help spouses find work in the host location if they choose to work, or provide allowances that enable spouses to engage in some form of educational or social activity there. Typical allowance levels are \$5,000 per annum or a one-time payment of a similar amount for each assignment.

Companies have had to adapt their policies to meet changes in expatriate demographics, including spouses coming from many different nationalities, single-parent families, same-sex couples, etc. Developing policies and practices to meet the needs of these different groups is a challenge, but some companies, such as Shell Oil Co., have led the way in this area by creating innovative solutions to this problem.

In Europe, where the proximity to other countries facilitates travel, companies have looked to alternative assignment patterns to alleviate the problem, including short-term and commuter assignment.

In recent years, there's been a growth of networking organizations, through which employers work together to assist spouses in finding employment in the host location. Examples include Partnerjob.com and Permits Foundation.

## Managing the Expat Talent

A second major barrier to assignment success is the career management of expatriates.

Increasingly, part of the reason for sending employees on an assignment abroad is to ensure the company's future leaders have international experience. In some companies, it is now a prerequisite to spend time overseas in order to reach a top management position.

Far too often, however, the careers of expatriate employees aren't properly managed and nurtured. Most companies tend to look after only those in the "high-potential" leadership category, but many expatriates don't necessarily fall into that group. This can lead to a disconnect between a company's global strategy and the career management of the expatriate, and frequently leads to the loss of key talent.

In ORC's 2004 *Worldwide Expatriate Policies and Practices Survey*, the majority of respondents indicated that their organizations do not guarantee expatriates positions after they return home. So while an international assignment can be financially rewarding, for some it can also mean "career death." Most companies, the survey says, do not keep records of assignment failure or turnover, thereby making it hard to establish the number of assignments that failed and the factors that led to their failure.

To prevent the loss of talent and avoid the high costs associated with it, companies need to craft a systematic, integrated plan for managing the careers of their expatriates—from selection to repatriation or re-assignment. They also need to realize that the expatriate talent pool is not just about high potentials, but also about managing all talent pools within an organization.

To ensure assignments are successfully managed, it is important to:

- Define the job need and the technical skills and competencies;
- Introduce a robust selection process;

- Set objectives and monitor these during the assignment, providing feedback to the expatriate;

- Carefully plan repatriation/re-assignment, thereby ensuring that the expatriate's career benefits from the assignment and the investment by the company isn't lost.

Companies that fail to do this may find themselves losing business-critical skills and knowledge to their competitors, and may be unable to deploy key resources when and where they're needed.

In today's challenging business environment, companies need to continue to innovate in the ways they approach global assignments. As new types of assignments appear, the profile of the "global employee" is likely to evolve and present fresh challenges and new opportunities for companies.

In the face of cost-reduction initiatives, companies have to continue to find ways to recruit expatriates and keep them motivated. If they hope to succeed in today's increasingly global business environment, they're going to need to focus on supporting the spouse and family, better managing repatriation risks and offering career opportunities for expatriates through more robust talent-management programs.

Sibhan Cummins is managing director of ORC's International Compensation Services and Practice in Europe and is general manager of the London office. Since joining ORC in 1991, Cummins has been responsible for the management of the ICS practice in Europe. She works closely with clients who subscribe to ORC's International Compensation Services across Europe, including Switzerland, Scandinavia, Belgium, Netherlands and Spain. She is also actively involved in international project consulting and, in particular, the design and development of international-assignment policies.