

Long-term assignment policy design

Organisations typically have a policy that sets out the terms and conditions that apply to employees and their families undertaking long-term international assignments.

These are typically defined as taking between one and five years.

REMUNERATION OPTIONS

A home country, host country or global approach may be taken to determine remuneration.

Policy design should reflect assignment purpose. The use of long-term assignments for strategic positions at senior level may attract different allowances and benefits from assignments being used to fill operational skills gaps or as developmental opportunities.

At the end of the long-term assignment, assignees usually return to their home country. Alternatively they may move on to another assignment. These issues can influence the choice of remuneration approach. Different approaches may also be used according to grade/salary level and for different combinations of home and host locations.

HOME-BASED PAY

The most commonly used remuneration system is home-based pay, known as the balance sheet. Under this approach assignees retain equity with their home country peers. Assignees' salaries remain linked to home pay scales and adjustments are made to the remuneration package to ensure home-country spending and savings patterns

are maintained. Tax equalisation is used so that the assignee pays no more (or less) tax than at home.

Besides salary, this approach typically includes allowances/benefits in relation to: training and preparation; housing and removals; travel, transport and home leave; family support including children's education and dual careers; medical, health, security and welfare issues; cost of living, location, mobility and other premiums/allowances; and support with compliance.

Under this approach assignees are, theoretically, no better or worse off by working abroad than had they remained at home. When assignees repatriate their salary can easily revert back to the home country pay scale.

HOST-BASED PAY

Host-based pay refers to local pay: the remuneration that international assignees receive mirrors that of local employees. Under this approach equity is maintained with locals in the assignment destination.

A pure approach whereby assignees receive nothing more than locals is rarely adopted. Normally a host-plus approach operates to reflect the additional costs and responsibilities of living and working away from the home country. Some additional support is usually given such as with housing and children's education.

This approach can work well if cost adjusted net incomes in the home and host countries are relatively similar. If the local net salary is too low, compared to the home net salary, the assignment will be unattractive; if it is too high then the assignee may not wish to repatriate. Using this approach will require consideration of home and host tax, cost of living, social security and pensions issues.



GLOBAL PAY

Under a global compensation approach, assignees retain equity with other expatriates. This approach may be used when employees are continually globally mobile, moving from one assignment country to another, and they do not repatriate to a home country base.

These remuneration structures can be complex as they need to enable assignees to move between countries which may have very different salary norms, cost of living environments, and tax regimes.

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