

Policy design for one-way transfers & localisation

Organisations are increasingly developing international assignment policies that set out the terms and conditions that apply to employees and their families undertaking transfers to an international destination when there is no intention to return home.

POLICY OPTIONS

There are three main options in the design of international relocation policy for one-way transfers. These are known as one-way, one-way plus and local plus arrangements.

Today, the term permanent transfer is seldom used in policy design. These three options reflect the fact that repatriation is not envisaged but that the employer is supporting the move only in one direction, rather than indicating that the move is actually permanent.

The key issue relating to one-way, one-way plus and local plus arrangements is

that employees under these policies are on the local payroll, they receive local salaries and they pay local taxes.

ADVANTAGES OF LOCALLY-BASED COMPENSATION

Locally-based compensation arrangements present a number of advantages. These include: reducing employment costs; ensuring equity of reward packages with local peers; simplifying compensation arrangements; and emphasising/formalising employees' loss of mobility.

SOCIAL SECURITY & RETIREMENT BENEFITS

Typically social security and retirement benefits are local. There may, however, be some variation in practice. Social security and pension provision are emotive issues and have long-term consequences. Where there are social security totalisation agreements in place, some employers do keep employees in the home country scheme. Some employers keep employees home-based for retirement benefits. International pension plans might also be used.

For these types of transfer, tax briefings and tax preparation assistance might be given. Typically this is only for the first year so that the employee can enter the new tax system appropriately.

DIFFERENCES IN RELOCATION BENEFITS

One-way policies are typically lean in terms of additional benefits or 'plus' elements.

One-way plus policies typically offer transition assistance – such as temporary living – and other limited elements to ensure that the employee and family can get started effectively in the new country.

Local plus arrangements are a little more generous in terms of the 'plus' elements offered. This type of policy may

offer additional benefits such as assistance with housing, education and possibly home leave with the aim of providing these benefits being to attract individuals to accept the role.

For all these policies, the delivery of relocation support may take the form of a mix of services and cash or potentially lump sums may be offered. Repayment clauses can be included in policy should the employee leave the organisation within a specified period after the transfer has been supported (usually 12 or 24 months).

LOCALISATION

The term localisation refers to the phasing out or removing of international assignment terms in the assignment location for any reason. So, for example, localisation may occur when it has become clear that the assignee chooses to be no longer mobile or the company does not perceive the need for the assignee to move again in the foreseeable future.

To localise employees, international assignment terms and conditions are removed. Housing and education support are typically phased out over a one to three year period; other assignment benefits typically cease when the contract and reward arrangements transfer on to local terms.

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