

2009 Assignment Management Trends & ‘Temperature Gauge’

Introduction

One of the main advantages of the RES Forum to its members is the ability to be able to commission ad-hoc surveys on various topics to be sent to a community of over 140 mobility specialists.

This document is intended to look at the trends and themes coming out of the surveys that were conducted from January through to October 2009. It also serves as a ‘temperature gauge’ as to what are some of the main concerns or issues facing professionals working in the area of international assignments and global mobility.

Survey Types

Since January, 42 separate e-surveys have been commissioned by RES members through the RES Forum. These have ranged in topic from assignee housing through to the application of negative COLA on assignment packages. Typically, the subject interest of the surveys can be broken down into fairly broad categories as follows:

Payroll	Assignment T&Cs/Policy	Benefits
6 surveys	13 surveys	6 surveys
ROI/Talent Management	Vendor Management	Remuneration/Salary
4 surveys	1 survey	6 Surveys
Other		Total
6 Surveys		42 Surveys

At the time of putting this document together 105 separate companies are active members of the RES Forum.

The average number of respondents to the surveys is 48 which would represent a 46% response rate – a very high level when compared to standard sample response rates.

The highest response to a single survey during this period was 67 which was for the Expatriate Payroll Practices survey.

Comment

Areas of particular concern have seemed to centre quite heavily on policy interpretation and payroll administration resulting in nearly half of all the surveys commissioned being on these subjects; including many ad-hoc questions being sent to the group. This is likely to be due to the fact that many organisations are adjusting and aligning their policies to better withstand external economic factors whilst ensuring that they still align to market practice and norms. In terms of payroll approaches, it is probably evident that most mobility professionals have experienced a level of increased bureaucracy and rigour around pay delivery with many countries looking to ensure that they are receiving the maximum levels of payments due. Notably, there have been pronounced problems with understanding payroll reporting and obligations within some of the BRIC countries as they seek to maximise return on their levels of foreign investment during the last 3 to 5 years (due to increased

expatriation and hires of foreign nationals on local contracts) as well as bring their systems more in line with accepted standards.

Assignment Policy Benchmarking

One of the key benefits the RES Forum provides its members is the ability to benchmark their Long-Term and Short-Term Assignment policies against each other to understand whether or not they are competitive in the application of allowances, benefits and support offered to their assignees. It is also an excellent tool to allow companies to decide where they want to pitch their offering in relation to 'standard' terms offered in mobility management.

In the April 2009 survey the median cost of supporting a 3 year assignment for a family of 3 (couple + 1 child) was \$760,750. This shifted down in October to \$758,000.

This change could have been the result of more companies responding to the survey, 72, as opposed to 36, but it is also likely to reflect the trend of companies attempting to reduce the overall cost of assignment packages.

Notably, there was still consistency within the surveys as to what is considered the 'core' essentials of the assignment package with nearly 100% offering all or the majority of the following to their assignees:

- Immigration Assistance
- Transfer Flights
- Temporary Accommodation in the host country
- Home Leave
- Miscellaneous Relocation Allowance
- Shipment of Goods
- Host Housing Allowance
- Tax Preparation/ Assistance

Survey Trends & Themes

Salary approach

It seems as though most companies are still using tax equalisation as the standard remuneration approach for their long term assignments (72%). This would emphasise the common principle of assignment remuneration continuing to be that people are neither better nor worse off for having taken the assignment. In relation to this, 82% of the companies that tax equalise continue to apply this when sending their assignees to non-tax or low-tax states.

A continuing theme, within these cost conscious times, is the 'claw back' of assignment expenses when an assignee leaves the organisation, with over 52% of companies doing this and 87% of those doing it for all assignment related costs incurred. It does vary quite widely, however, as to over what period of time companies would expect to do this.

Of those that don't currently do this, there seems to be a trend towards reviewing assignment policies to start supporting this.

In another typically controversial area, whilst 96% of respondents say they applied a COLA to their assignment salary packages only half of these would ever apply a negative COLA. Even more interesting though is the amount of respondents that skipped the question; which leads us to question whether that is do with the subject still being a particularly taboo one?

The actual salary delivery trends seem to be consistent with the home/host splits with 52% of respondents splitting their payroll between home and host. Generally, of these, 43% allow the assignee to determine the split which is then reviewed on an annual basis.

Conversely, 34% of respondents will pay the total remuneration in the host country in host currency; which can lead to difficulties in the COLA offset when there are large fluctuations in currency.

Again reflecting cost conscious expat management, 86% are running their payrolls in-house rather than using outsourced providers – this could be part of the reason why it has been hard to determine precisely what the exact or ever changing requirements in each host location are.

Housing

Unsurprisingly – or maybe surprisingly – 100% of respondents provide housing allowances to their assignees whilst they are on assignment. However, this is tempered slightly by only 50% of those covering the full cost of renting a property, i.e. maintenance, security deposit, dilapidations etc.

The majority of companies (83%) will pay the initial security deposit with 82% of them making sure they seek reimbursement from the employee for any dilapidations incurred at the property (although the majority do not put in place a signed agreement upfront to do so).

There is a clear split (50/50) as to who does and doesn't offer utility support, but it will be interesting to see how that changes as organisations seek to reduce their 'cash cow' policies and rein in on costs.

Encouragingly, companies are trying to be savvier with their upfront costs when moving people by utilising serviced apartments rather than hotels at the beginning and end of assignments; again reinforcing the message of cost conscious and ensuring that there is a sensible approach to provisions for assignments.

ROI and Talent Management

In keeping with the running theme of 'watching the wallet' more and more companies are looking to show some form of return on investment in their assignments: the 'holy grail' of assignment management! The emphasis on how to do this though does seem to be changing and, rather than some magic formula that calculates the intangibles, organisations are using clearer objectives (46%) and clear deliverables setting for assignments as the tools of measurement – also indicated in Brookfields' latest GRS survey.

There is further demonstration of this with an increase in the number of questions and surveys being asked within the RES Forum around talent management and pre-selection criteria. A surprising result from which shows that 75% of companies do not

use cultural awareness as a pre-cursor for selection albeit that most academic research would suggest that 'culture shock' is a key contributor to failed assignments.

Finally, the most shocking result of this batch of surveys – and potentially a watch out for us all – is that whilst the majority of companies are looking for ROI proof and value, 97% of respondents to a recent survey said that they still do not actively measure ROI and have no definitions of what constitutes a successful assignment. Equally, only 30% are actually tracking the programme costs as one of the KPIs of the assignment management process. Given that we are all expected to have now added parsimony to our collective 'bow of talents,' it is potentially a practice we all need to adopt.

As always, please feel free to contact us at res.forum@yahoo.co.uk in case of any comments or questions.

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Percentages displayed relate to the specific number of respondents to a particular survey and are not indicative of practices across all of the forum members.