

RES Forum Annual Report On Trends In Mobility

Produced in collaboration with Altair Global Relocation, with a foreword provided by IHRM Professor Marja Tahvanainen (Helsinki School of Economics), the RES Forum's inaugural Annual Report was a consolidation of the 55 electronic surveys commissioned by RES Forum members during the course of 2010 and early 2011. Unlike other 'off the shelf' Global Mobility surveys, the Annual Report outlines the key issues upper most on the agenda of inhouse, International HR Managers represented by the RES Forum's 200+ member organisations – importantly, the agenda of the Report was set by the RES Forum members themselves.

Containing over 70 pages of data, trends and analysis, the Report was categorised into the following topics, which formed its eight distinct chapters:

1. Talent Management
2. Assignment Types
3. Expatriate Compensation
4. Compliance
5. Pastoral Care
6. Housing Policy
7. Programme Administration
8. Outsourcing

This article gives you a flavour of some of the key trends emerging within the RES Forum membership which were reported within the report.

Talent Management

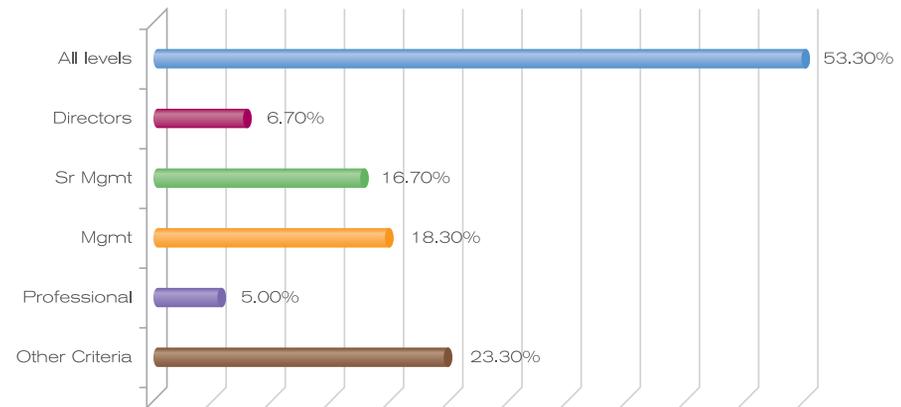
Having defined that assignments are essentially about developing talent, the RES Forum members posed a number of interesting questions during the course of

2010: Should all assignments be considered the same in terms of what they offer organisations?; Consequently, should all assignees be supported equally from a policy, compensation, and benefits point of view?; How do organisations effectively track talent during the assignment cycle?

Perhaps reassuringly, and as shown by the above graphic, the majority of RES Forum member organisations do set their Talent Management Agenda across all levels of the organisation. Nurturing the aspirations and championing the right to succeed across all echelons of an organisation is arguably an oft-forgotten HR objective, though from a philosophical point of view, an approach that most RES members would seem to uphold.

Other topics reviewed in this chapter were the selection of employees and suitability for international assignment, the most popular internal/external resources used to assist a candidate for expatriation in their decision-making process, reasons for assignment refusal, barriers to mobility and repatriation strategies.

Talent Pool Eligibility



Assignment Types

Unsurprisingly, discussion amongst RES Forum members around the design of assignment policy framework was both recurrent and varied during the course of 2010. Designing and operating effective transfer and assignment policies that adequately address the needs of the assignee and the business is, in theory, one of the few "controllables" in the mobility domain – easier said than done of course. What became clear from the data was that the different drivers behind an assignment (permanent shift in career centre location, business-critical/strategic, project-based, developmental and personal accommodation, etc.) have fuelled an ever increasing segmentation of assignment policy types amongst RES Forum members.

As outlined in the Report, preserving the integrity of an assignment policy, balancing the cost to the business versus the value delivered to the assignee, and retaining an appropriate degree of transparency are all key factors in effectively



managing assignments and the different assignment types. Perhaps now more than ever, the onus is on International HR managers to offer understanding and provide vision when designing assignment policies; regular benchmarking of data, such as the surveys that are surmised in this chapter and requested by RES members on a weekly basis, can certainly help with the former if not the latter.

One of the topics covered in this chapter is the position taken by member organisations in defining a consecutive period of time spent overseas as a formal 'Short-Term Assignment' versus a normal business trip. As outlined in the graphic on the previous page, just under half of our members set the threshold at 90 days – an interesting statistic when viewed in the light of organisations' low tolerance to compliance risks whether in the areas of tax, social security or immigration.

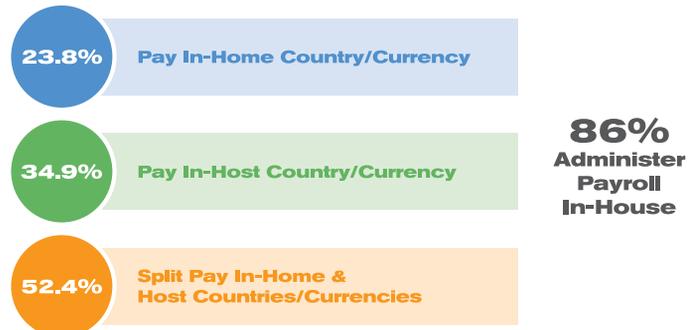
Other topics reviewed in this chapter were local v expatriate terms, the challenges of localising expatriates, local plus/destination pay policies and career expatriates.

Expatriate Compensation

As the "corporate belt" continues to tighten in response to the current global economic climate, this chapter places the emphasis on how companies look to attract and retain the right people through the reward package structure. This is particularly relevant when those employees become internationally mobile, as their cost base typically rises and is more visible to those charged with justifying the bottom line. The chapter provides details on the different reward methodologies used by organisations.

Unsurprisingly, we find that most companies are looking to reduce their overall cost base and are stripping away many of the non-core perks associated with international assignments; however, they still see a clear need to maintain the key essentials required to support expatriate staff. This is still often attained by using complex cost of living and tax modelling to ensure spending power parity for the assignee, even when that is negative; but more and more, RES member organisations are also looking at alternatives to this traditional approach.

The graphic below provides an illustration of just how many RES member organisations now operate a 'Destination pay' approach to their international assignments, with this % likely to increase in the future.



Other topics reviewed in this chapter were split payrolls, expatriate allowances, expatriate bonus payments, pensions, company car provision, managing hardship locations and Short-Term Assignment compensation methodologies.

Compliance

In this chapter, the discussion centres around the various compliance issues inherent to global mobility, as companies strive to balance business and employee needs whilst adhering to regulations in the various countries in which they do business. The role of the mobility professional has developed over time and increasingly there is a need to understand the minefield of cross-border employee compliance, in line with increased focus on expatriate staff by government agencies in relation to tax, social security, and immigration.

The consequences of non-compliance have also steadily worsened: increased scrutiny in other areas of business practice; communication between authorities in multiple countries resulting from non-compliance in a single location; business blacklisting; office closures; bans from making bids on new projects; and expatriate staff expulsion are just a few. Increasingly, the employee is affected also, not just the employer. Responsibility in many cases lies with an employee to correctly submit documentation or bear the consequences; but it is also the employer who potentially suffers from increased regulation of expatriate staff around contract location, social security enrolment, and currency import & export controls – all topics discussed in this chapter.

Pastoral care

This chapter was a culmination of results from the RES Forum surveys regarding support offered by organisations to trailing partners and dependents of assignees.

As John Dunne said, "No man is an island," and many organisations have realised that the support offered to trailing partners and dependents often determines whether an assignment is accepted and ultimately successful.

Against the backdrop of offering dependent and partner support, organisations recognise the costs involved, their obligations to support assignees' personal circumstances and the need to optimise any company spend in the area of partner and dependent support.

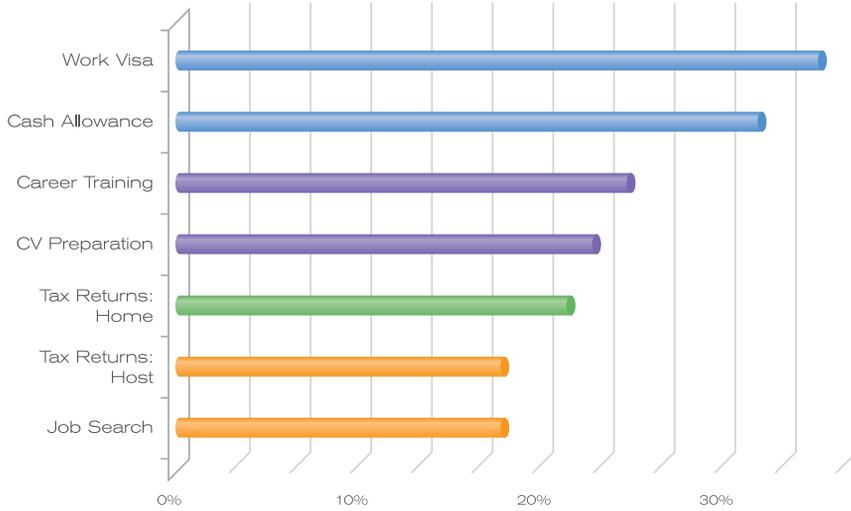
The following table indicates what support is most commonly provided to trailing partners during an assignment:

Free-form comments provided in this survey indicated that the degree of support may vary based on a number of factors such as:

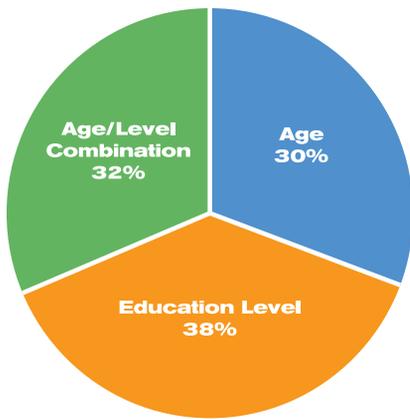
- Cost
- Strategic importance of the assignment
- Individual negotiations between employees and their employers
- The extent to which a company acknowledges that the well-being of an accompanying partner and children will materially affect the success of the assignment in general.

The Forum also conducted a number of surveys on support provided to the offspring of assignees (see next page). Reflecting the pan European nature of Forum membership, age alone (typical in

Partner Support Services



General Education Support Eligibility



Support for Non-Accompanying Children

52% Provide Assistance

Flights (100%)

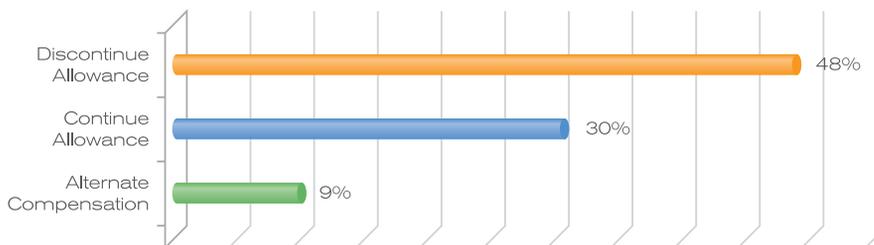
Home Country Education Support (44%)

- Boarding Fees
- Differential
- Lump Sums

Duplicate Costs



Housing Allowance After Home Purchase



the UK) was not the only defining criteria applied to secondary education support.

In addition, an organization's duty of care and support of an assignee's family extends not only to accompanying dependents but also those who remain at home:

Expatriate housing

Assignee housing remains a topical discussion area for RES members as they assess the level of assignment support to provide to an assignee.

With housing, it is often a case of there being no right answer but rather what is right for a specific organisation based on culture, employee needs and, most importantly, cost.

The RES Forum surveyed members on the level of housing support provided to assignees and it came as no great surprise that the great majority of respondents (88%) state that their company pays for expatriates' host location rentals.

However, when queried about host location utilities, the response was almost evenly split, with 40% paying for expats' utility costs and 44% of companies not taking on this expense.

Verbatim comments indicated that some companies include utilities costs in the assignee's COLA, and some base payment of utilities on lease terms or location.

We also asked members around support provided to assignees should they decide to purchase a home whilst on Assignment.

It is not surprising that 94% of respondents actively discourage such endeavours, due to the enormous expense involved and the ultimately temporary nature of most international assignments.

When queried about supporting the costs of such a purchase, most (90%) answered that they do not cover any of the purchase costs and almost half reported that they discontinue payment of any housing allowance at the time of purchase.

Programme administration

This chapter covered a number of themes related to the ongoing management of assignment programmes. Key areas of interest included:

- International assignment managers and the training of such specialists
- Strategic programme priorities amidst the current economic situation
- Budgetary reactions
- Use of key performance indicators.

When asked about GM Manager core responsibilities, member respondents replied as follows:

Clearly the technical nature of international assignment management requires assignment managers to perform an advisory role to their business and client groups – a reassuring fact for those performing such a role as they add value to organisations.

When asked about how assignment managers are trained for the role they perform, the prevalent training types were as follows;

Of the major trends that Forum members believe will dominate the mobility landscape in the near future, the most prevalent responses were:

- Compliance
- Cost control
- Outsourcing
- Alternatives to classic “expat” policies – i.e., host-based approaches, local moves, and short-term assignments.

(36 Responders / 17 Skipped)

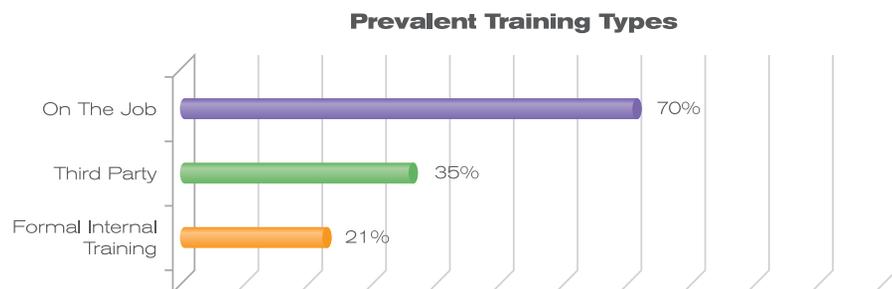
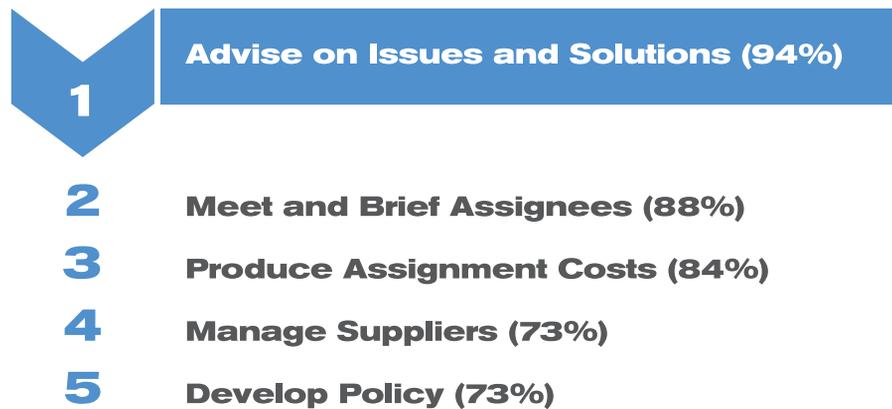
Finally, when questioned on objectives for the next 12 months, mobility managers answered as follows:

- 1** **Reviewing and implementing new policies.**
- 2** **Communicating with and training businesses units / HR groups on new policies and processes.**
- 3** **Reviewing and implementing new localisation policies; developing a framework and eligibility formula for localisation – i.e., moving assignees from international to local contract terms in the same country.**

In summary, this chapter outlines that management of programmes remains an art form in permanent evolution.

The changing demographics of assignees and cost pressure increases create a need for greater sophistication in measuring the success of assignment management (but also Return on Investment), so that even the most mature and sophisticated programmes witness the introduction of new initiatives on a regular basis.

Role of IA Manager



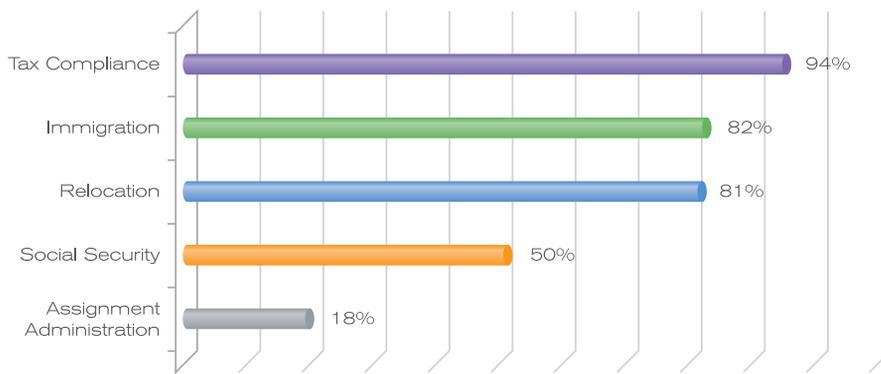
Outsourcing

Outsourcing allows organisations to more easily attach a cost to services whilst centralising allows scalability on headcount, systems, and knowledge to be achieved.

However, service and cost are often at the heart of a reverse decision (namely bringing activities in-house), with service level agreements in the outsourced context often not reflective of the actual service a company may wish to provide. At the same time, although more easily identified, costs are not always reduced when outsourcing takes place, hence the move to bring the outsourced services back in-house.

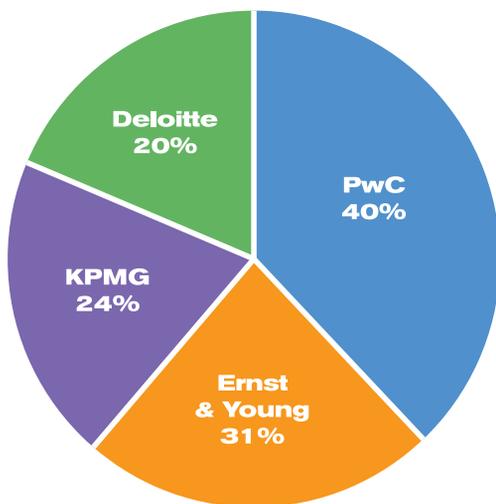
Not surprisingly, tax support services are the principal activity outsourced by RES members with assignment administration being outsourced by a fairly small proportion of member companies.

Outsourced Services



When asked their original reasons for outsourcing components of the mobility programme, respondents to the Outsourcing survey chose more than one primary motivation:

Why Outsource



Using the Big Four

The vast majority of respondents use Big Four accountancy firms, with many companies utilising more than one firm for their mobility needs – as evidenced by the combined 115% response rate.

Over 56% of participants said that they would not consider, now or in the future, using a non- Big Four financial services provider for tax advice or compliance work. However, 33% said that they would consider using a non-Big Four provider.

Conclusion

In conclusion the RES Forum annual report promised to pull together the key issues and trends within our 200+ company membership. We hope this article gives you a flavour of the information which our members share within the group in order to understand and compare mobility policy and practice whilst redefining their own approaches in this area.

The RES Forum is an independent community of in-house Global Mobility and International Human Resource professionals. The Forum is not influenced by any external parties or third party vendors, and is characterised by the high level of trust, participation, and collaboration amongst its members. For details on how to join the RES Forum or to request copies of the Annual Report, please contact www.theresforum.com.

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Jose Segade is an HR Global Mobility professional who specialises in global mobility strategy; the design and implementation of mobility initiatives and service delivery; policy design; and company wide immigration and tax compliance. His industry experience over the past ten years includes regional Global Mobility roles for Procter & Gamble, IBM, Goldman Sachs and Towers Watson. He has personal expat experience in Spain (Military Service), France (University), and Belgium (expatriate assignment). Jose was an original co-founder of The RES Forum in 2006.

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Andy Piacentini is a seasoned international HR professional with particular expertise in compensation, benefits, expatriate management, and employment tax gained over a ten year period working for Procter & Gamble, PwC, RBSG, and Life Technologies. Andy was an original co-founder of The RES Forum in 2006. Andy was an original co-founder of The RES Forum in 2006.