Rewarding Mobility

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Reward packages aim to compensate staff for their efforts in a fair and consistent way, incentivise the right behaviours and elicit the motivation to go that extra mile so that the organisation benefits. In the past, within the area of global mobility, there has been a tendency for firms to throw money at the issue assuming that the monetary drivers of expatriation are the most important aspects of being on assignment; more so, in fact, than they really are.

Increasing globalisation, competition and the ongoing fallout from the financial crisis, however, have meant that mulitnationals have become more cost conscious and the pressures on global mobility departments to monitor their costs closely and to design assignment packages efficiently has increased. Beyond costs, how global mobility professionals manage ROI in terms of the many goals associated with working abroad is also increasingly important.

This short article gives an overview of the current reward features being used by many organisations in managing, engaging and rewarding their internationally mobile employees and is based on research into assignment package design that was carried out for a chapter in The RES Forum's 2017 Annual Report.

A Global Workforce

Of the polled companies, two thirds of firms send assignees to more than 10 countries while 15% send expatriates to more than 50. These organisations also had large expatriate populations with 18% having more than 1000 international assignees, a further 8% send between 501 and 1000 staff to work abroad and 16% have between 250 and 500 expatriates.

Most companies distinguish between Short-Term Assignments (STAs), Long-Term Assignments (LTAs) and Local Plus Assignments (LPAs, where the employment contract is usually with the host country but assignees receive a salary based on host market conditions but with some additional host allowances such as housing). The most common assignment type continues to be LTAs. However, in comparison to data from earlier RES Forum reports, the number of long-term assignees and local plus staff in companies is reducing.

Business driven/strategic assignments tend to last at least one year but more than a quarter last more than three years. 20% of firms use short term overseas work for developmental purposes while half design developmental international

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assignments for a duration of at least one year. While some sources indicate that LTAs are becoming shorter, our sample seems to indicate that very long LTAs are not dead; indeed, 36% of firms indicated that the typical long-term assignment duration is between three and five years.

STAs typically last between six months and a year with less than a third being shorter. No firm had STAs lasting less than three months. Some companies indicated that they had no formal developmental assignment policy but, instead, use commuter assignments or handle expatriates on developmental work within their LTA policy. Finally, LPAs could be permanent transfers (up to 45%) but a sizeable number of multinationals restrict them to up to three (27%) or five years (25%). Especially in hostile environments, a parallel policy of building local successors who benefit from social networks, an understanding of national culture and language, who have greater freedom to move around within countries and who might be less of a target for terrorist activities, may be highly effective.

Additional key findings

The global mobility function deals with a great variety of international work types. Whilst companies tend to look at effectiveness, business needs and individualisation considerations to design reward practices, the location that bears the cost might be determined in relation to where the organisational benefits accrue.

Business-driven assignments have a more generous reward and benefit package than developmental assignments. In turn, developmental assignees benefit more often from talent management interventions and from having a mentor. Given that expatriates often value developmental and career opportunities above financial gain, this is likely to be in tune with the assignment context and is likely to constitute cost-conscious, effective reward design.

More than three quarters of organisations do not incentivise assignees through linking assignment bonuses to assignment goals and performance. Companies simply use their normal annual performance management system to reward extraordinary performance.

87% of organisations use a home-based balance sheet approach (where base salary is defined using home country salary structures, but additional pay elements such as assignment cost of living and housing allowances are provided and where the employment contract is usually retained in the home country) to determine the reward package of long term expatriates. However, only 10% use it for local plus assignees. Long term assignees were better shielded from currency fluctuations than other international workers, a facet that is likely to

have been particularly useful for UK outbound expatriates during the strong currency fluctuations in the wake of the Brexit vote.

The full chapter in the Annual Report (available on request as below) outlines a wide array of variations, including educational and spousal support and highlighted some areas where short term and/or developmental assignees benefitted. Generally, this was a sign of a conscious and well thought out reward strategy that recognises the particular situation of these assignees.

The RES Forum *is an independent international research and networking community of over 1350 global mobility professionals in more than 700 organisations across 40+ countries globally. This article is an overview of just one chapter from The RES Forum's latest Annual Report which can be found, along with details of how to join the group, on the Forum's website.*