Recruiting and retaining internationally mobile employees who can adapt effectively to different business environments and social customs is an increasing challenge for international business. Additionally, companies have to consider barriers to mobility such as two career couples, dependent children at a critical stage in their education, and difficult locations. As a result, employers are adopting alternative international assignment types alongside the traditional long-term approach. Among these are international commuter assignments which according to two-thirds of the companies surveyed in ECA’s latest survey, International Commuter Assignments and Business Trips, increased over the past two years. The positive trend is anticipated to continue, with nearly 60% of international employers forecasting increases in their commuter staff numbers over the next two years.

A minority practice that’s growing in popularity
Despite the rise in commuter assignment numbers they still only account for a small proportion of a company’s entire assignee workforce. For example, the typical assignee workforce in 2012 consists of 11% on commuter assignments, 23% on short-term assignment, and 66% on long-term. Furthermore, over 70% of organisations managing temporary commuters currently employ 20 or less. However, almost half the companies ECA surveyed anticipate commuter assignments increasing at a faster rate than their total assignee workforce over the next three years. In certain industries, including engineering, construction and mining, the rise in commuters is significantly higher in anticipation of increased project work in emerging markets with relatively higher economic growth.

So what defines a commuter assignment? Typically a commuter assignment is where the assignee’s principal residence remains in their home country, they are unaccompanied, and return home at frequent intervals.

The group can be split into temporary and permanent commuters. These are chiefly differentiated by whether they have a defined length or not. The length of a temporary commuter assignment, will be defined, although this can be greatly varied – anything from three months to three to five years in some cases. These assignments are most likely to be used for pragmatic or tactical reasons. For example, the need to fulfill project work, often at short notice, and to overcome barriers to mobility, such as dual career couples and concerns over children’s education. A permanent commuter assignment will have no fixed length and tends to be undertaken for more planned or strategic reasons including as a way of accommodating employees’ personal circumstances: nearly 40% of employers report that such assignments are initiated after requests from employees, who prefer this arrangement to relocating abroad with their partner and dependants.

A quick response that can remove barriers to mobility...
Being able to fulfill temporary needs such as projects or mergers is by far the biggest reason for companies to send employees on temporary commuter assignments with 84% citing this. While this was the third most common reason for a permanent commuter assignment (with 31% of companies giving this as a reason), providing a solution to barriers to mobility is the principal reason behind these types of assignments: just under half said they used permanent commuter assignments because they facilitate international mobility given employee’s personal circumstances.

When companies were asked what the biggest advantage was of using commuter assignments the most cited response was that they are more likely to be accepted compared with offers of traditional expatriate assignments. A further advantage being that strong ties with the assignee’s home country company are maintained. This can be beneficial to the assignee’s long-term career in the organisation, such as keeping in touch with home country company developments, including promotion opportunities, tax, compliancy and administration are major challenges.

Taxation and other compliance issues such as immigration and visas, complexity of administration and time lost through commuting, are cited as the top three challenges for both types of commuter assignment. Clearly the advantages that come with being able to get an employee into a location quickly need to be balanced against administrative concerns. To ensure acceptable return on investment, not to mention staying the right side of legal, these need to be addressed effectively. However, a common theme emerging from the survey results was that responsibility for the process of managing commuter assignments was often devolved throughout the organisation - only serving to make compliancy even more challenging.

Feedback from survey participants confirms that compliance and taxation challenges can be overcome, a) if the length of the assignment is managed, taking into account job responsibilities and tax laws in the host and home countries and, b) if procedures are in place to track assignees while on assignment, including allocating responsibilities to HR teams for specific tasks and the effective use of IT software and communication tools.

Overcoming challenges: Managing assignment length and extensions
Nearly three quarters of participants managing temporary commuter assignments were able to give information on both the minimum and maximum length of time that a commuter assignment would normally be undertaken in their organisation. 50% vary the assignment length according to home/host country tax regulations – a clear demonstration of the importance of the taxation issue.

But what happens should that predefined period be extended? Nearly 60% report that they have a specified policy if the assignment is extended beyond the normal maximum length. Of these over a quarter would convert to normal expatriate terms and conditions. Where this results in a change of assignment status (e.g. from unaccompanied to accompanied), normal practice is to review the provision of benefits and calculation of specific allowances including cost of living.

A quarter apply discretion. In these instances business or personal circumstances (e.g. taxation, progress of project, employee’s agreement) will be reviewed when determining whether to extend the assignment. This decision would also take into account any impact on costs,
including any change in home or host country tax liability.

**Overcoming challenges: Tracking**

90% of companies track their assignees citing the need to assess taxing liability and assisting with corporate compliance as the main reasons for doing so. Determining responsibility for tracking is integral to the success of this already difficult activity, but for both commuter assignments it is almost as likely for one function to be involved as another, reflecting their ad hoc nature. Tracking methods vary and include using a centralised booking system of travel tickets, IT software tools which record days, or asking assignees to keep a travel diary.

**Financial and emotional costs**

Although expenses typically associated with relocating a family abroad are reduced or eliminated through the use of commuter assignments, there are a number of costs that offset these savings. These include higher travel costs due to frequent trips home; subsistence expenses (which cover local living costs in full, whereas cost of living adjustments included in expatriate packages compensate for the difference in living costs between the assignee’s home and host country); and the relatively high cost of short-term rental agreements such as for serviced apartments. This is not to mention the less cost-effective situations that could result from a temporary assignment being extended if this is not managed properly; per diem rates for example may be a more practical arrangement for shorter-term commuter assignments, but after six months this may no longer be the case. Additionally, there is the impact on time and resources that activities related to these assignments, such as tracking, have.

The chart below gives a comparison between temporary commuter and expatriate assignment costs for Hong Kong to Shanghai. The annual cost of a temporary commuter assignment for a single person is comparable to that for a traditional expatriate assignment over the same period of time for a couple with two children. In this example, it is clear that any savings made by not having to provide education are outweighed by subsistence and flight costs.

However, the survey suggests a general awareness of the cost traps of such assignments. Just 14% cited that commuter assignments reduce costs compared with traditional assignments. Company culture and business needs will no doubt play a role in weighing up the advantage of flexibility against potentially higher costs.

And the emotional costs? On the surface a commuter assignment seems like the solution for employees to accept an assignment who would otherwise be deterred to do so by factors that could disrupt the family such as their partner’s career, children’s education or family commitments. However, in terms of employee challenges, the most commonly cited among employers managing temporary commuter assignments are time lost through frequent travelling (42%), and stress and fatigue (40%).

A commuter arrangement can put considerable pressure on the family. Stress on assignees’ personal relationships is a concern for a quarter of employers managing both types of commuter assignments. There can be particular pressure for single adults on commuter assignments since they may have to maintain two homes, without any assistance in the assignee’s home country from a partner or spouse.

**Management and policy of commuter assignments**

Survey results show that it is equally likely that either the host or home country entity or corporate headquarters will request commuter assignments. This highlights the importance of creating one function with accountability to ensure consistent and cost-effective management of commuter assignments. However, only 50% of companies have a written policy for temporary commuter assignments, although a further 25% are in the process of writing one. The likelihood of having a policy in place increases among organisations with larger (20+) commuter populations.

There are generally less formalised procedures when managing permanent commuter assignments. Only 30% of those using these assignments have created a policy for this assignment type. The more ad hoc or reactive basis of this type of assignment is a major reason for this.

Below is an overview of some of the main remuneration elements:

**Basic pay**

In nearly three quarters of cases, employers report that the basic pay they deliver to their temporary commuters is the same as prior to the assignment. Such practice is consistent with the fact that the vast majority of temporary commuter assignments are to fulfil relatively short-term projects or assist in company mergers. There is often a continuing strong link with the employee’s home country organisation. It should be noted that 29% do adjust the assignee’s basic pay prior to the assignment for any additional responsibility as a result of the assignment.
Commuter Assignments

In international Human Resources, are to developing or difficult locations and employing permanent commuters a lower proportion of employers deliver basic pay which is the same as or higher than the cost of delivering basic pay based on national peers in the host country.

Living costs
Results show that the large majority of companies (96% and 70% of temporary and permanent commuter assignments respectively) cover the cost of essential local day-to-day living expenses. Of the 96% covering local living costs for their temporary commuter assignees, 39% pay per diem rates. Of the 70% covering local living costs for their permanent commuter assignees, 30% pay per diem rates.

Financial motivation
53% pay an international mobility allowance for temporary commuter assignments and 46% for permanent, compared with 61% of organisations employing traditional expatriates. One reason for these lower figures is that some employers managing commuter assignments consider international mobility as an integral part of the employee’s job, with an element for mobility included in basic pay. Another argument is that there is less need to provide greater motivation since the whole family is not uprooting to live abroad.

In the case of location or hardship allowances, 42% pay this for temporary commuter assignments, compared with 77% of organisations employing traditional expatriates. Again, the dependant family staying in the home location can partly explain this along with the fact that these assignments are generally to/from locations in the same region so living conditions do not vary significantly.

33% of those employers managing permanent international commuters pay location or hardship allowances. However, this practice is significantly greater among permanent commuters in mining, minerals, engineering, and construction companies. Many of these assignments are to developing or difficult locations with appreciably different living conditions compared with the assignee’s home country.

Housing
Nearly 90% of employers cover all housing or hotel costs for their temporary commuter assignees. However 70% of these organisations specify ceilings to the level of rent covered. Permanent commuter assignments follow a similar pattern with 73% of all employers covering housing costs. In both cases the most common housing provided is rented furnished accommodation, serviced apartments followed by hotels.

Travel
The most common pattern of travel for both commuter type assignments is to come home once a week, although a significant number report fortnightly or monthly trips. Less frequent trips home are sometimes stipulated for longer intercontinental journeys.

Tax
In the case of temporary commuters over two thirds of companies apply tax equalisation. A small minority apply tax protection. Over 80% provide their temporary commuters with tax preparation and assistance and nearly 60% give tax briefings to commuters, in either the home or host country. However, only 31% report that HR teams managing commuter assignments are given advice by taxation and legal departments.

Over 80% of companies including social security/social taxes will keep assignees in the home country scheme, where reciprocal agreements between countries permit a choice of system under which commuters may be covered.

The main difference in terms of managing taxation for permanent commuter assignments is that although 63% apply tax equalisation, 24% provide their commuters with no tax assistance at all.

Delivering consistent and cost-effective outcomes?
Commuter assignments offer a means of providing pragmatic, practical and flexible support to international business. However, this can come at a cost particularly since their very ad hoc nature leads them exposed to the pitfalls that come with a lack of centralised coordination. If these assignments are to deliver consistent and cost-effective outcomes that comply with fiscal and immigration regulations, rigorous management and co-ordination between HR and line managers responsible is essential.

Advantages and Challenges of Commuter Assignments

Advantages
• Can be implemented quickly
• Job offers more likely to be accepted compared with traditional expatriate assignments
• Strong links are maintained with the assignee’s home country company and social contacts.

Challenges
• Time and resources required to track commuters
• Determining tax liability
• Controlling costs
• Complying with immigration regulations
• Stress on family life and personal relationships
• No integration into the local workforce, resentment from local staff
• Complexity of administration
• Time lost through commuting
• Stress and fatigue.

Barry Rodin, Chief Economist at ECA International reports on findings from ECA’s latest survey on commuter assignments.
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