International Assignment Policies –
The Best Policy For Your Company

This article focuses on international assignment policies, why we have them, why we may not want them, concerns about them and addressing these concerns.

Reality check
First a reality check: Do we need international assignees, especially as it is commonly stated that the cost of an assignee is 2 to 5 times higher than the cost of a local hire? An international assignee in this context means any employee moving to work in a country other than their home country, although your company may have a different name for such individuals. Despite predictions of a decline in assignee numbers, many companies expect either to maintain current assignee numbers, or indeed, increase such numbers for example in regions such as Asia Pacific, South America and Africa. The international assignee will continue to exist for the foreseeable future.

Why do we need expatriates?
Assignees are required for a variety of reasons, including:
• Instilling corporate/ headquarter culture
• Covering a vacancy
• Plugging a skills gap
• Training and transferring skills
• Providing specific project expertise
• Career development
• Personal request.

Companies will have different reasons as to why they want or need assignees. Such reasons are likely to influence the type of policy that is most appropriate. The greater the company need for an assignee, the greater the likelihood that the cost will be higher. Conversely, if the individual is driving the move increased opportunities exist for the company to reduce costs. Equally, certain types of assignment, for example, project expertise, may be more short-term in nature. This may affect what you offer and the tax consequences arising from the assignment.

Reasons why a company may not want a policy
Conversely, there are a number of reasons why companies may not want a policy. Assignees do talk and there is a potential danger that putting together a policy results in ending up with a “best of the best approach”, whereby all the nice to have elements of different company policies are pulled together as one great (for the individual!) but expensive policy.

It is feasible that any policy does not have the flexibility to adapt to changing circumstances, whether this is in respect of the assignment, the job, the company or general economic and political developments. A policy once written can, if allowed, become static, never changing to reflect such issues.

Some companies may be fearful of their lack of experience in creating their own policy or the professional cost of getting assistance in designing a policy. This may be a feature particularly if the company has very few international assignees or will have them moving only between specific countries.

Areas for concern
When considering international assignees and consequently policies, there are a number of areas for concern. “Fairness” is a word often raised when it is time to discuss assignment packages. Increasingly people are questioning to whom should one be fair? Is it just the assignee? Other interested parties may include other employees, the employer and the shareholders. For example, is it right to pay an assignee more than a locally hired employee doing the same job? Taking this a step further is this even legal? Naturally, this is a question for lawyers.

Legislation is constantly changing, be it employment law, immigration, tax and social security law. When considering assignees how do you ensure you are compliant in relevant locations? One also needs to keep up to date with political and economic developments, for example, inflation and changing exchange rates. Just think how much the US dollar has fluctuated against the Euro since its inception. Companies may also have to keep up to date with competitors. The “war for talent” still continues.

The family creates its own share of issues. This can include family disruption for example, the education of children and the problem of dual careers. Other more easily addressed issues include changing assignments and switching between policies, together with the ending of the assignment and possible localisation. Commuter assignments have evolved to address some of these family challenges but they also bring their own issues.

Cost rears its head again with issues such as getting sign-off to an assignment in the first instance – how many line managers create a fuss when they realise the cost of an international assignment handled by them without human resource assistance or even knowledge? Additionally, what is the tax and social security cost of an assignment and how can this be mitigated?

Other areas of concern include how do you define a short-term or long-term assignment, what salary and benefits package should be provided in different assignment situations, and what tax and social security implications arise?
Addressing these issues
There are certain general principles to be followed when starting to address these issues:
• Decide on your approach to international assignments. For example, are you going to compensate for loss of spousal income, and if the employee is driving the move, or if it is for their long-term career advantage, do you offer as much assistance?
• Get a policy that suits your company and the situations that will arise. A comprehensive policy may be additional to your actual requirements
• Incorporate flexibility to cover changing assignments and different situations
• Review the policy regularly to ensure it keeps up to date. Policies using set tax deductions or exchange rates quickly become out of date
• Remember you don’t always get what you pay for. Developing a policy can be very cost-effective
• Other issues may also need to be considered. For example, the security of assignees, reducing benefits over time, dual career issues and same sex and/or unmarried partners
• Do ensure the policy matches your corporate culture, language & values. As you create your policy do bear these principles in mind.

Policy definitions and benefits to be offered
The policy should cover terminology, process and the benefits to be offered in different circumstances. For example:
• The definitions of a business trip, a short and long-term assignment. These will vary between companies
• Responsibility for the assignee, to include management, reporting and mentoring
• What happens when assignments change from one category to another category and the applicable date? For example, if your policy definition says a business trip lasts for 30 days, if by chance it is extended to 31 days, is it now a short-term assignment with all that may entail?
• Choosing an assignee, for example reviewing the best person for a job – it may be a local or external hire – and selecting the right candidate. Cultural adaptability and training are particularly relevant as most assignments fail as a result of the family’s failure to settle
• Costing – the costs of an assignment should be determined preferably in advance so that all are aware and sign off to the expense
• Calculation of allowances. For example, are cost of living allowances to assume the individual will choose equivalent local produce as opposed to known brands, how often exchange rates are to be reviewed and de-minimus fluctuations to be ignored?
• Localisation and the phasing out of allowances if the individual remains in the host location
• Interpretation – who decides and arbitrates in the event of any dispute?

Remuneration
When looking at pay at what rate and where do you pay? It could be home, host, another country or a mixture. Remuneration is measured. Should the pay be adapted to fit the underlying reason? With regard to variable elements of pay such as bonuses or stock awards, are these to be based on home or host country individual performance, home or host company performance and plans?

Legal issues
Legal issues need to be considered in any assignment as working across borders brings additional legal complications. What prevailing law will apply, is it the home, host, EU, another country or a mixture? What information has to be contained in any employment contract or assignment letter and how and when do individuals need to be notified? Do think about data protection rules and exchange of information. Additionally immigration rules constantly change. Do ensure your policy is legally compliant.

Tax and social security
No international assignment policy article would be complete without raising the thorny issue of tax and social security. Tax and social security issues will be addressed in our next article but do bear in mind these need to be considered whilst developing a policy.

Summary
In summary, when designing a policy get one that is suitable for your needs, that is competitive and offers value to you. Decide how you wish to utilise and reward your assignees and align the policy to your business strategy. Ensure that sufficient flexibility is built in to the policy and regularly update it to suit changes both within the company and from a wider perspective. Do remember that a good assignment policy is but one aspect to getting things right. You also need to have the right processes and systems to ensure the policy is workable bearing in mind the strengths and weaknesses of your organisation.

In response to the question “what is the best policy?” it is important to remember there is no right or wrong answer. Ultimately it is the policy that works best for your company.

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