

Negotiating Expatriate Packages

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Very few people want extended work abroad just for the experience. However, more global companies than ever now expect their talent pool to have international experience as a prerequisite for promotions into the highest levels of the company. Because companies recognize the reticence of employees to go abroad for "possible future consideration", they usually offer some form of financial incentive to those willing to consider relocation for periods of 2 - 3 years.

Expatriate assignments can challenge both the employee and his/her family. Companies recognize this challenge and compensate their expatriates. Expectations for the expatriate incentive package run very high. Individuals may know of other expatriates (who bought a large house or a nice cottage upon their return from a foreign assignment). We know of a senior technician, who was considering a six-month assignment to Mexico, hoping that he could take early retirement upon his return!

Managing employee expectations is the responsibility of Human Resources professionals. Their responsibility is to balance the genuine need for good salary and benefits for individuals, with the financial needs of the corporations. Their responsibility to the individual and the company means designing expatriate assignments to be win-win situations for the company and the individual, both short-term and long-term. Here are some things to expect from expatriate packages.

Direct Compensation

Salary increases should take into consideration two factors at the same time -- changes in the cost of living and increases due to changes in experience and/or responsibilities - and equitable compensation plans take both aspects into consideration. In the case of expatriate assignments, both changes can be drastic:

- Foreign assignments often include a significant increase in responsibility. For example, managing a plant of outside the home country is a significantly greater responsibility than managing one in the home country, because of the more restricted access to corporate support and of the cultural challenges.

- Living in or near any large South American city is likely to be much more expensive than in a smaller or outlying city.

Insightful Human Resources professionals plan to give expatriates two separate figures, one for the change in cost of living and one for the change in responsibilities. This simplifies expatriate package negotiations in several respects:

- It improves consistency when a corporation sends people to different countries with widely different costs of living and helps prevent comments like: "Maria went to Buenos Aires two years ago and her salary was doubled. Why is mine increasing only by 20%?"
- It also helps prepare expatriates for their return to the home country. Companies find it easier to remove the adjustment made for the change in cost of living if it is explicitly separated from the salary than if it is part of one's salary. This helps prevent expatriates from feeling demoted upon their return to the home country because their salary was decreased significantly.

Note that cost of living adjustments should be based on the expatriate life style rather than the life style of locals. For example, expatriates living in some developing countries find that food and lodging is relatively inexpensive, while international telephone charges are very high. Given the amount of money that most expatriates spend on telephone, this may make the new place less affordable after all.

Benefits

Because of their very different situations and needs, the benefits offered to expatriates generally go beyond the benefits offered to other employees. Many companies offer benefits in the areas of taxation, moving, accommodations, visa, immigration, and language training.

Other benefits that are less commonly offered can significantly ease expatriate package negotiations:

- **Cross-cultural training** helps manage expatriates' expectations. By learning more about their future lives, they can understand better what will be important to them in their assigned destination. They can also calibrate their expectations versus the experience of other expatriates in that destination. For example, some expatriates are asking to live in very large houses in cities where such accommodations simply do not exist. On the professional side, they may expect to achieve objectives that may be essentially unrealistic in their new context; in this case, they may expect rewards that may never come.
- **Family benefits:** It is critical to keep in mind the fact that the whole family is affected, and particularly the spouse. Family adjustment and lifestyle issues are the leading causes of early return [1]. Support and financial help in finding adequate schooling for the expatriate's children is often a prerequisite for the family to accept the assignment. In the case of dual-career families, recognition for the spouse's efforts can come in several forms:
 - Helping the spouse obtain a work visa and a job.
 - Helping him/her find suitable unpaid activities (studies, volunteer work in non-profit associations, or hobbies) when local immigration laws preventing him/her from receiving a salary. This can be done through dedicated career counseling.
 - Compensating the spouse for his/her loss of income.
- **Career counseling:** Providing career coaching / mentoring to them throughout their assignment, and particularly during the first and last six months of their assignment, and after they return to the home office helps them ensure that both they and the organization reap the benefits of their newly-acquired experience. It also helps manage their expectations for their subsequent assignments - some expatriates come back to their home country hoping that they will hold far more senior positions than they should realistically hope for.
- **Repatriation training:** Expatriate families and employees benefit from repatriation training to help readjust to living in the home country and returning to the original work environment. Length of the training often depends on the length of the assignment and the ages of the children.
- **Reassignment:** If the leading motivator of the expatriate is the long-term career aspect, the company needs to provide a challenging assignment upon return to the home office or shortly thereafter. If this is not feasible, communication about future plans for such an assignment and the timing needs to come from a mentor or senior

manager or the company risks losing its entire investment to turnover of returning expatriates.

One size does not fit all expatriate packages. A young, single engineer who is going to work on an oil extraction platform in Indonesia has very different expectations and needs compared with a senior, married-with-teenage-children manager who is going to start and lead a plant in Spain. A significant degree of flexibility should be provided to both to be able to design packages that suit their own needs within a given budget - just like flexible health benefit plans.

Seeking external advice

In many cases, neither the expatriate nor the HR manager has gone through an expatriate assignment. As a result, their understanding of what the expatriate and his/her family will need in the assigned destination may be significantly off. Seeking informal advice from other expatriates or obtaining formal advice from consulting firms specialized in setting up expatriate packages may help ensure that the most important needs of prospective expatriates are addressed.

References

[1] "Global Relocation Trends: Surveying the State of International Relocations", International HR Journal, Winter 1997.