Can your organization pinpoint how much actually is being spent on expatriate assignments? The 2009 Ernst & Young, Zurich, Switzerland, “Global Mobility Effectiveness Survey” revealed that “only 20 percent of companies know their true expatriate costs, with 58 percent having only an approximate cost.”

Even more than the issue of not knowing “your full spend,” many organizations lack the ability to identify, quantify, clarify, capture, and report mobility spend effectively—leaving them at risk of being non-compliant with global taxing authorities.

While there are many words that begin with C-O-M-P, none are sweeter than “C-O-M-Pliant” to the ears of any global mobility program manager—especially those on the finance compensation side. A standard cost projection for a family going on a long-term expatriate assignment signifies an abundantly apparent corporate investment. In addition, when summing up the grand total of all expatriate assignments within the average corporate global mobility program, one begins to C-O-M-Pute the risk of not being able to C-O-M-Pile all those expatriate costs, many of which translate into expatriate C-O-M-Pensation.

Multinational companies are aware that there are many assignment-related expenses that require gathering and reporting through their local payroll departments as taxable compensation. So why are 80 percent unable to track those costs? Lee Schilling, tax manager at Global Tax Network (GTN), Palo Alto, CA, says that, “the ability to collect, analyze, and report the detail on a timely basis to be in compliance is a challenge. The knowledge base within organizations in regard to expatriates is greater today than it was 10 to
Based on recent studies of employers, few organizations truly understand the costs of their expatriate programs. Pardo looks at a few key areas that affect a compensation collection program and provides “best practice” considerations for structuring a consistently compliant expatriate expense accumulation program, one that leverages expertise and that executes properly.
15 years ago, so there is an awareness that something needs to be done, but it is still a matter of technical knowledge and execution.”

**The Recent Economy and Its Effect on Expatriate Compensation Programs**

The global recession forced many companies to seek alternatives to long-term expatriate assignments. Most every recent survey will show that during the past 18 months, the mobility industry has seen increased extended business travelers, short-term assignments, “permanent” transfers, “hybrid assignments,” and localizations, with significant decreases in traditional long-term expatriate assignments. This inevitably has lowered overall program costs. However, many corporate global mobility teams are facing new challenges with the changing authorization dynamics.

For example, one challenge many organizations face is monitoring extended business travelers. Each passing day of an unknown extension could move the company and stealth employee into risky tax and immigration compliance situations.

In a January 2010 Worldwide ERC® “Global Benchmarking Survey,” only 16 percent said they were not concerned about stealth expatriates, 77 percent only discovering these stealth expatriates by chance, while 95 percent stated that tax compliancy costs were their greatest potential for negative cost impacts.

The increased need for cost reduction has led many companies to re-evaluate their entire expatriate programs. Looking again at the 2009 “Global Mobility Effectiveness Survey,” we see that 81 percent of companies are looking to take measures to reduce costs. Many companies have worked through partial or full expatriate policy reviews looking for cost reductions in their global mobility programs.

During the policy review, benefits that normally would be collected and reported as compensation are drastically reduced and, in some cases, eliminated. Examples of assignment benefits most commonly targeted for reducing program expenditures include housing allowances, mobility/miscellaneous allowances, transportation allowances, cost-of-living allowances, and most forms of “mobility incentive” allowances. In a February 4, 2010, article by Josephine Woolley, “Reviewing Mobility Policy,” on ECA International’s website, their research noted, “in response to cost-containment directives, the current trend is toward reducing allowances and the value of assignment benefits provided. We have seen that a higher proportion of companies are now applying negative cost-of-living indices and cost-effective indices.”

Strict guidelines and new expectations on employee contribution are part of the “new norm.” The overall effect of reducing these types of taxable benefits is an increased savings on tax costs, which, ultimately, further lowers expatriate compensation and global mobility program costs.

**The Devil Is in the Details**

Although we have seen both a reduction in the number of long-term expatriate assignments and in the assignee benefit packages, companies still incur significant costs related to assignment benefits. Given the wide variety of home-host coun-

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**DEFINING A PROJECT MANAGER**

![Diagram](Source: Plus Relocation Services, Inc.)
try combinations, and the need to structure compensation delivery in the most tax advantageous manner, expatriate assignment benefits most likely will be paid from multiple sources. Collecting all the compensation items paid out to or on behalf of the expatriates can become a “lesson in herding cats.” After internally identifying and approving the elements to be included in the pay and benefits package, there is usually a reprieve as activity switches to a focus on the “getting there” stage.

The “getting there” stage typically includes support services that help the expatriate and family “detach” from the home location and “attach” in the host location. Homefinding trips, orientations, and settling-in services are coordinated and expensed. Some expenses may be reimbursed by the home country accounts payable (AP) or paid directly by the relocation management company (RMC). Travel costs may be billed directly to the corporate travel department.

These expenses are followed by “on assignment”-related benefits, including host-country rent payments, cost-of-living allowances, school tuition payments, and host-country tax payments that may be paid in multiple currencies by the host country finance team and RMC—all of which are occurring while home-country payroll possibly is providing the ongoing salary, bonus payments, and home housing norm deductions in the home country currency.

With multiple currency payments and deductions being made from multiple locations, it is critical to keep track of the details of your global expatriate expense program. One might suggest “the devil is in the details” as an appropriate motto for an efficient and effective global expense accumulation program. We would agree that “compliance” certainly is in the details.

**Compliance**

A quality expatriate program will have a compensation collection program that is built on a platform of key program stakeholders, and focuses on the collection, analysis, and consolidated reporting of worldwide expatriate compensation to support global compliance. As taxing authorities around the world tighten their monitoring of global mobility programs, it is imperative for organizations to
develop processes that allow them to produce consistently compliant expatriate compensation reporting. Identifying key steps to the successful development of a compliant program will make your task less overwhelming and realistically attainable.

Chris Pardo, GMS, is vice president, global services for Plus Relocation Services, Inc., Minneapolis, MN. He can be reached at +1 952 512 5542 or e-mail cpardo@plusrelocation.com.

ON THE WEB
To learn more about compensation, please visit www.WorldwideERC.org:

• “Global Compensation Plans—Where to Begin”
  www.WorldwideERC.org/Resources/MOBILITYarticles/Pages/0206smith.aspx

• “In Search of Compensation: Conducting a Salary Survey for Employee Mobility Professionals”
  www.WorldwideERC.org/Resources/MOBILITYarticles/Pages/0709-barwick.aspx

• “Currency Crisis: Protecting Expatriate Compensation Against Exchange Rate Fluctuations”
  www.WorldwideERC.org/Resources/MOBILITYarticles/Pages/0608crosby.aspx