

Compensation Considerations for International Assignments



The Issue

The international assignment landscape has changed significantly in the past few years. The number of move types has increased in response to employee needs, both professional and personal, and these changes have ushered in new compensation challenges.

With companies reluctant to support costly home-based expatriate packages, local strategies are becoming more common, but applying them consistently isn't easy given varying geographic and cultural norms.



The Mobility Impact

Creating consistent and equitable compensation packages for expatriates requires an understanding that global compensation typically includes salary and allowances as well as benefits in kind, such as health and wellness benefits, stock options, and tuition assistance. In some locations, greater emphasis will be placed on the latter, making it challenging to compare the value of different packages accurately.

The challenge for mobility managers and the business units who support mobility is not so much to find the best approach applicable for all assignments as it is to deal with individual assignment complexity, envisage greater mobility policy segmentation and, if relevant for the company, map each compensation approach to a particular assignment in a consistent way.



When it comes to international assignments, the concept of a total rewards approach is further bolstered by the career growth opportunities and experience gained by living in another culture, which are critical components of this equation.

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Client Impact

Clients supporting individuals pursuing career-development, project-based work, intra-regional moves, and permanent transfers are seeing the value in taking a total rewards approach to designing compensation packages: aligning compensation with the job function as well as the location to enhance recruitment efforts and attract the best talent for these roles.

At the same time, to achieve consistency and equity, companies must be knowledgeable about and responsive to factors that are and always will be in flux: exchange rates, inflation, and varying levels of taxation. Additionally, local laws and compliance regulations may require a person to receive a certain amount of compensation in either the home or the host country, further impacting everything from cash flow to the ability to address expenses in both the home and host countries.

As such, it is also important to consider the home/host country pairs and the variance in the standard of living. The more companies can do to minimize the differences in the costs of living with allowances and adjustments, keeping the base salary intact, the more seamless the transition back to home country standards.

When companies do not acknowledge and support the differences in the costs of living with allowances and/or other monetary adjustments, they face great challenges in appropriately compensating their employees in the long run. What may seem appropriate for an outbound assignment may not be sufficient or competitive for repatriation, sequential assignments, or localization in the host country.



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Our Recommendations

The best outcome—meaning the best program for both the company and the assignee—takes place when the company thoroughly assesses the purpose of the assignment and whether the assignment is temporary or permanent in nature.

Companies and their employees alike must understand the total value of an assignment package, not just the financial components.

Be sure to consider the employee's point of view with questions such as these:

- Are all assignees' needs being met?
- Is compensation fair and competitive with the role and skill set?
- Does the overall package provide flexibility and support for family members so they, too, feel the incentive to move?
- Does this position and the total package provide career growth opportunities for the longer term beyond this specific assignment?



The Bottom Line

Best-in-class programs for both the company and the assignee are created when the value of the assignment is clearly articulated and is in alignment with the purpose of the assignment and the skill set required. This alignment tends to drive higher employee satisfaction, which, in turn, leads to greater assignment outcomes.

Further Reading:

Mercer – Four Steps in revisiting mobile talent compensation (2023)

AIRINC – Back to Basics: Home-Based Tax Equalized vs. Host Plus Assignments (2023)

Weichert Workforce Mobility has prepared this information from the most current data available. However, the client is advised to consult with their own tax and legal counsel with regard to any interpretation of IRS regulations or subsequent changes in policy.

Looking for more information on this or any mobility topic?

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