

# innovations

In International HR

## find the balance

### Should some or all expatriates be grandfathered?

Yes. The employer should consider grandfathering some or all expatriates if the financial impact of the change is insignificant or employee morale will benefit.

### Should the employer implement the policy for all expatriates?

Yes. The company should consider implementing the policy change if cost reduction is essential or if the overall effect of several changes is perceived as positive or, at best, neutral.

See Ed P. Hannibal's complete article below.

We are pleased to announce Mercer's acquisition of ORC Worldwide.

ORC Worldwide's solid reputation and capabilities complement those of Mercer. Together we have strong global positions in mobility services, compensation data, and benefits information.

The ORC Worldwide acquisition is another demonstration of our commitment to provide you the best possible HR information services and solutions.

## Updating Expatriate Policy: Balancing Business Needs and Corporate Culture

*Ed Hannibal*

Over time, human resources (HR) has the task of reviewing international assignment policies to ascertain whether they are competitive, cost-efficient, and equitable. If modifications are recommended, HR generally has two options:

1. Implement the policy for all relevant expatriates, either at one time or through a transition period, or
2. "Grandfather" some expatriates under the old policy, either indefinitely or for a designated period.

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### featured consultant

Ed Hannibal



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### fast facts

Did you know that **21.1%** of companies are reviewing/ changing implementation of cost-effective COLAs?

Source: Mercer's 2011 Worldwide Survey of International Assignment Policies and Practices

This article will discuss the pros and cons of these alternatives and provide practical suggestions for making the best decision.

### Apply the New Policy to All – or Not?

In general, it is preferable to implement policy changes for all expatriates who would be affected rather than create a subgroup of assignees to remain under the old policy. This point is particularly true if the modifications are extensive and making exceptions would create a heavy burden for administrative staff. Examples of scenarios where immediate implementation of the new policy for all expatriates generally works best include the following:

- In situations where expatriates are reassigned to another foreign city, placed in a new position in the current host city, or informed that the assignment is extended, the employer would treat them as new assignees.
- If the policy change benefits the expatriate in terms of money, morale, or support – for example, a lump-sum home leave program in hardship locations – it seems logical to implement the new policy.
- When policy modifications involve several components, the company might be able to combine them, thereby presenting an overall change without focusing on positive or negative adjustments. For example, although the incentive payment will decrease from 15 to 10 percent, the education preschool allowance is increasing for dependent children. Although the latter only benefits expatriates with children, it may affect a large number of employees, depending on demographics.
- Swift implementation of a policy change might be necessary if the company has an immediate need for cost savings.

### The Grandfather Option

Of course, situations arise where implementation is not the best course to follow. Considerations that might prompt an employer not to implement the new policy include these scenarios:

- Expatriates perceive the change as a negative action, despite a legitimate reason for modifying or updating the policy. Depending on a number of factors, including company culture and employee morale, grandfathering might be the optimal solution.
- Although the revision is a minor change that will not significantly affect the company's financial standing, grandfathering current expatriates might reflect well on management.
- There are too many expatriates who will experience an adverse effect if the change is implemented.

### The Logistics of a New Policy

While grandfathering might not offer the best solution, immediate implementation might not be the answer, either. How and when should HR introduce policy modifications? The following three methods represent the most common approaches:

- Immediate implementation without a buyout is feasible for minor revisions.
- Immediate implementation with a buyout is better if the change is perceived to be negative.
- Gradual implementation over time, with advance communication, allows the expatriate time to adjust to the financial cash flow impact.



## Practical Considerations for Getting the Word Out

Any alteration in existing policy requires clear and timely communication to any assignees who will feel the effects. The following suggestions are useful in spreading the word in an effective manner:

- Provide unambiguous answers to questions that relate to: what, who (and exceptions), why, how, when, and where. (See Chart 1, “Explaining a Policy Change.”)
- Be open about some employees falling under a grandfather policy.
- If transitioning the revision over time, explain that it is temporary, specify a start and end date, and remind expatriates of the end date as the time approaches.
- Communicate with assignees through multiple formats – hard copy, e-mail, policy documents, intranet, meetings, webcasts, and conference calls.
- Establish administrative procedures – and test them – before launching the new policy.

## Finding the Right Solution

The decision to grandfather certain expatriates under the old policy or implement the revisions for all affected individuals depends on factors that are often specific to the company’s circumstances. The scope of the change, workplace climate, talent implications, corporate culture, urgency of the revision, rationale supporting the modification, the number of expatriates, and the timing of the policy change represent only some of the possible influences on management’s final decision. When a policy is revised, the company usually struggles to maintain a balance between cost and employee need, as well as between business decisions and morale – with HR acting as liaison.

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### Chart 1. Explaining a Policy Change Policy on Car Loan Assistance

Question	Answer
What	The company will no longer provide discounted loans for cars, whereby the company covered the financial difference.
Who	All expatriates will no longer be able to take advantage of discounted car loans.
Exceptions	Expatriates on indefinite assignments will still be eligible as long as they remain on an international assignment. Those expatriates who already have a loan arrangement will continue to benefit from the discount.
Why	The cost has become too high with the significant growth in the expatriate population (along with the number of family members able to drive).
How	The program will no longer be offered.
When	Two months from now, effective July 1.
Where	Every host location.