

Ask the Consultant: How Can I Convince My Expatriates How Fair Their Pay Package Really Is?

In addition to compensating expatriates for the often higher costs of living abroad and providing for special expenses (e.g., dependent education, home leave) associated with an assignment, many employers still find it necessary to attract candidates with (although somewhat lower) financial incentives, in spite of the importance of international assignments in overall employee development and career advancement. But employers often forget the other “pluses,” which can be selling points to persuade candidates to accept the assignment, for example:

- **Free Host Housing.** In some situations, employers supply living accommodations or pay all housing expenses. Free host housing (provided by 33 percent of the overall participants to ORC’s 2006 *Worldwide Survey of International Assignments Policies and Practices*) significantly reduces the expenditures for which the employee would be responsible, thus raising the family’s living standard, the rate of savings, or both.
- **Automobiles.** If the organization provides or pays for a car in the host location but not at home, the expatriate enjoys a financial advantage equal to the savings of the cost of the car at home. In addition, a small number of organizations (6 percent of survey participants) provide interest-free loans to assist with a car purchase, sometimes adding a depreciation feature that reduces the required loan repayment.
- **Ignoring a Negative Cost-of-Living Differential.** If the cost of living is lower in the assignment location than in the expatriate’s home country, and the organization does not deduct a negative goods and services differential (56 percent of the overall survey participants take no action), the

employee will enjoy a financial windfall.

- **No Index Modification.** If the employer decides not to modify a goods-and-services index, even though it reimburses certain items that are already included in ORC’s market basket, the expatriate receives double pay for those items. Only about 40 percent of the overall survey participants modify either:
 - An expatriate index, which is a comparison of the prices of goods and services between the home country and assignment location that assumes a preference for internationally recognized brands and outlets, or
 - An efficient purchaser index (EPI), which is a comparison of the prices of goods and services between the home country and assignment location that assumes that the expatriate is familiar with local brands and may shop in local outlets in the assignment location.
- **Private Schools.** Not all assignee children attend private schools in their home country. However, many of them do while abroad at the employer’s expense, due to the inadequacy of local schools in some locations or language unfamiliarity. This benefit can be costly and significant for many expatriates.

Relating these points to your expatriates can provide them with a different perspective on their overall compensation and benefits package. To help spread the word, obtain testimonials from satisfied expatriates either on assignment or just returned, or perhaps interview them in an expatriate newsletter. However communicated, be sure your expatriates get all the facts about the true cost of their assignment and the “hidden” incentives it might include.

Steven P. Nurney, vice president, ORC Worldwide international compensation services, is based in New York.