

Supporting moves

Overseas placements are coming under scrutiny.

BY FIONA CAMERON

As companies have tightened their belts in response to an increasingly unstable economic climate over the last 12 months, many HR practitioners have been forced to re-assess the economic viability of their expatriation programs, which has led to a general scaling back in HR support of expatriates.

According to a recent Ernst and Young survey (produced by the former Human Capital division of Andersen Consulting), tighter budgets have led to a re-engineering of expatriate administration policies and a general reduction in the number of expatriates.

The survey, released in April 2002, was based on responses from 37 Australia-based multinationals. Sixty one per cent of companies said they had frozen or reduced their expat headcounts over the past 12 months; 65 per cent said they planned to review IHR programs and policies, with this likely to spearhead a move away from expensive, long-term expat programs.

The traditional expatriate package has always been based on the principle of financial compensation for the disruption to the lives of employees and their families.

But Nick Pond, partner, Human Capital, Ernst and Young, is seeing a shift in focus at HR level, from compensation to career development. He believes more companies are building expat selection processes into their succession planning, improving mentoring programs and driving more global career planning, where employees may go on the "global circuit" for 10 to 12 years.

"Companies are looking to present potential expatriates with an entirely different value proposition," says Pond. He believes this could reduce costs, because there will be less risk perceived by expats committed to a global career plan.

Manufacturer Robert Bosch has made career development a central part of its repatriation program, including planning the expat's return position six months before return, in consultation with the employee's home country mentor and host country manager. Robert Bosch currently has 25 Australian employees overseas on assignment.

Sally Morton is a partner and national leader of the Australian Deloitte International Assignment Services (IAS) practice. Born in Britain, she has first-hand experience of expatriation, having worked for Deloitte in three different countries. She says that she is seeing many companies introducing more fixed expatriate budgets and less “soft” support.

“Localised pay structures are becoming increasingly popular, compared to relatively more generous tax-equalised packages,” she says. (Tax equalisation is notoriously reliant on estimates, making up-front budgeting difficult.) She adds that more companies are also limiting the scope of outsourced relocation services. “It is becoming more common to hand assignees lump sums up-front to spend however they like on relocation and housing.”

Yvonne McNulty is an Australian expatriate and HR postgraduate student who accompanied her husband on assignment to the US two-and-a-half years ago based on what she calls ‘inpatiation’.

“As inpatriates we are not supported by an expatriate remuneration package and receive no special privileges or assistance simply because we are foreigners, other than assistance with the renewal of our working visas.

“The negative side to this is that we are on our own. However, we are not limited to a two or three-year assignment. We can live and work in the USA for as long as we would like, which we are very grateful for.”

Nick Pond believes that in the face of budget cutbacks most companies will not substantially scale back expat support, like education expenses for offspring and housing assistance, since he says expats on the “global circuit” will be more in need of this than ever. But the feedback from expatriates themselves suggests that companies are not offering enough support as it is. Anne Foster (not her real name), whose financial services company relocated her from Sydney to London for 12 months, says she desperately needed relocation assistance, not just cash.

She claims the UK subsidiary’s HR department was inexperienced in handling international relocations, and had no set policy.

She explains that, while the organisation supplied good, free accommodation for the first five weeks, she was forced to source a relocation company herself to find long-term housing, because there was no spare time to find her own accommodation. “But it was even difficult to find a company to help me, because I was a single person looking for help, and they all wanted corporate business,” she says.

“It was like being Robinson Crusoe, and made the new job doubly challenging.”

She also had to source her own tax advice in Australia before leaving, even though the company had an international tax adviser. In addition, without a permanent address she was unable to open a bank account—or access her salary—for weeks.

According to a survey conducted earlier this year by the US-based Cigna International Expatriate Benefits, 59 per cent of expatriates believe their companies are not offering enough assistance in local healthcare, home and host-country coordination and spouse support.

Yvonne McNulty has conducted a comprehensive study of over 190 expatriate spouses. She cites statistics from a major expatriate survey (the US-based GMAC 2000 Global Relocations Survey) attributing 96 per cent of assignment failures to partner dissatisfaction, and says that for this reason HR needs to more often consider implications for the whole family.

“HR departments like to be consistent in their packages, but a fair policy should incorporate flexibility, because every family is unique,” she says, explaining that flexibility could mean more frequent home visits to see ill or ageing family members, or education tailored to a special-needs child.

Sally Morton stresses that, while she doesn’t believe HR departments are doing enough to support expatriates, it’s not necessarily their fault. Not only are there increasing budget restrictions, commercial realities often get in the way. “Often business units will organise an urgent relocation, and HR may not even find out about it until the employee is on the plane,” says Morton.

“The reality is that not many Australian companies have massive programs sending employees offshore—it’s an ad hoc requirement.

“And yes, it is up to HR to circulate more awareness, but even that depends on how the division is structured—while HR should be an integrated part of the business unit, many departments are still quite remote.”

Go well

Shell is one company that fosters a high level of expatriate support, and this will not change, according to Jill Lever, regional manager for Shell People Services in Australia.

She explains that high mobility is central to the organisation's business success, and consequently there has been no recent reduction in expat numbers. Six thousand employees, or around six per cent of Shell's employee base, work internationally, and the Australian office currently manages 60 expats, with another 200 employees stationed overseas. The Australian HR team includes a dedicated expatriate manager.

"We need a global system which maximises mobility," Lever says. "Our people receive competitive and supportive expatriate terms but we also emphasise the value of career and personal development that they receive through overseas experience."

Shell is, in many ways, a pioneer in expatriate support. It has an extensive information network for families of employees, known as Outpost. This comprises a website and a network of local offices, run by spouse volunteers, and the company finances overheads.

Detailed country information is available on an employee intranet known as Expat Plaza. As part of Shell's global expatriate management policy, standard benefits include housing and spouse vocational assistance, child education assistance and funding, financing of annual family holidays to the home country and family-wide private medical insurance.

Fiona Cameron is a freelance journalist.

Return to sender

A recent court case has shown the importance of establishing clear policies and contracts with expatriates.

An employee has been awarded more than \$500,000 compensation by the Industrial Relations Court of New South Wales, after being retrenched from his job in Singapore.

The employee had originally been engaged in Australia for a number of years before being sent by his employer to work in Singapore. When his position in Singapore was made redundant, the employee sued his Australian-based employer, alleging that it had responsibilities for the termination of his employment and an obligation to make payment on his redundancy. The court agreed with the employee and made an order of compensation for more than \$500,000.

The case is a major wake up call for companies sending staff overseas for work. While employers and HR departments are all guilty of throwing around terms like “assignment”, “secondment” and “postings”, there remains a general state of confusion over who is the formal legal employer.

These problems are reflected in issues such as whether or not the old employment contract is still relevant and what obligations there are for the company at the end of the posting.

The case also reflects, most importantly, that, if it all falls apart and there is no job, the home country company may have to face up to paying the bill.

In the Sydney case, the employee was left without a job after working for two years in Singapore. His original Australian employer relied on a defence that he was no longer employed in Australia and therefore it was the Singapore company’s problem.

A close look at the employment showed all sorts of conflicting messages being sent to the employee while he was away from Australia. The HR department called him a “seconded”, he was also referred to as one of the “Aussie ex-pats” and he still had access to his Australian superannuation fund where payments were still being made while he was in Singapore. The court found that the Australian company was responsible as employer and the more generous Singaporean law applied to the employment.

The case shows that a company engaging in regular international placements must be clear in its policies and contracts to establish clear boundaries on the employment relationship.

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