

PART ONE : EXPATRIATE TYPES

An expatriate is an employee sent by his or her employer to work in a foreign country. The firm is normally referred to as the parent company, while the country of employment is known as the host country. If General Motors sent one of its U.S. executives to oversee a new development in Brazil, the executive would be an expatriate, General Motors would be “ **the parent company** ” or “ **home country** ” , and Brazil would be “ **the host country** ”. Equally, if an employee from Brazil was sent to the U.S. or an employee from Canada were sent to the People's Republic of China, they would be expatriates.

Many corporations are sending expatriates to their overseas operations. In fact, expatriates have and the need for internationally competent managers is expected to rise as more and more firms face global competition. Organizations need to understand the dynamic relationships between staffing and outcomes, and how these relationships change over time.

Expatriates provide a number of benefits for companies, including greater parent control and particular expertise. International experience is also seen as providing opportunities for personal and professional development and career advancement. Expatriates are very expensive, however, and this can discourage extensive use of expatriates. Many companies have also experienced relatively high failure rates, with failure often being attributed to the family's inability to adapt.

Surprisingly, give the high costs, and likelihood of failure, companies often make these expensive commitments with little or no preparation for the need for **cross-cultural** transition. Expatriate success and job performance is closely related to intercultural adjustment and the same is true of families.

Given this, it is critical that companies use a rigorous **selection process** to identify which employees would likely succeed as expatriates. The selection process should also include consideration of the family.

Most expatriates take **their families** with them to the foreign country, and their family situation is one of the most critical factors in the successful completion of an overseas assignment. Family transition must be taken very seriously. An expatriate must be comfortable on a personal level. Major stress can be caused for the entire family by something as seemingly trivial as the transportation of a family pet. An expatriate's spouse must have a very strong willingness to live abroad. The spouse must be supportive as well as adaptive. Many firms have had expatriates' assignments terminated early because the spouse was unwilling or unable to make the necessary adjustments to the host country.

PART TWO : TYPES OF PACKAGE

The different types of package and the elements of compensation mentioned below allow to have a general idea about what can be included in an assignee's package.

① Home based

The employee maintains ties with the home employer via his work contract and a compensation of reference that will be used as the basis for the calculation of his expatriation package.

This compensation of reference will be equivalent to what the employee would have received if he had remained in the home location. It will be the basis on which the employer calculates social security contributions, the expatriation's package. This compensation of reference will also be used to calculate salary increase and will be the minimum wage the employee gets when he comes back.

② Host based

An expatriate may maintain contractual ties with his home employer via his work contract during his assignment but that tie is usually suspended for the duration of the assignment. To guarantee a job to the expatriate when he comes back, a clause is included in the expatriation addendum confirming that the work contract is no longer suspended.

The expatriate has a compensation equivalent to that of a host local employee for a similar job title and benefits from additional premiums or benefit-in-kinds.

③ International

The employee has a compensation package completely different from a home or host package. This type of package is generally applicable to employees hired by a "third" employer and who go from expatriations to expatriations. Their compensation is usually determined against "international" standards, which allows them to move quickly from one country to another.

Elements of compensation most commonly used are as followed

① Expat premium

This premium paid by the employer is to compensate for the more difficult life conditions in the host country, new work conditions or displacement from the home environment.

This premium is usually calculated as a percentage of the employee's gross compensation or compensation of reference.

This percentage varies depending on the host location and is calculated depending on a couple factors: danger in the host location, political situation, weather, language, culture, distance from the home country, hygiene and health, facilities (schools, hospitals), etc.

This premium can be paid either as a gross or a net amount depending on the rules applicable in the company and is very rarely applied to assignments within the E.E.E.

② Mobility premium

This is usually an element of compensation paid at the beginning and end of the assignment in order to motivate the candidate.

③ Cost of living allowance

It usually is a net premium paid to compensate for the living cost differential between the home and host country.

This differential is applied using an index to apply on the net salary of the employee.

Home based index:

It is applied using the consumer habits of the home location.

It is often used for short-term assignments or for countries' where the life style is completely different from that of the home location.

Practical expense index:

It is applied using the consumer habits of the home and host location. It can be applied at the human resources' discretion and represents a particular advantage in the case of successive expatriations because it is the only index that can be reversed or modified.

Host based index:

It is applied using the consumer habits of long-term expatriates in the host location. It can be used in case of very long assignments not too far geographically or culturally from the home country.

④ Installation premium

This premium is usually no more than one or two months of salary, it is usually paid to cover numerous expenses and avoids having to make numerous reimbursements.

All of the premiums can be determined as a percentage of the net or gross salary or as a fixed amount. They can be paid regularly during the entire assignment, at the beginning or at the end of the assignment. The date of payment of these premiums can have a tax impact since, like benefit-in-kinds, most premiums are taxable. Therefore, the employer usually tries to pay those in the country where taxation is lower.

① **Tax and social security equalization**

Social and tax equalization is a “concept” of compensation assuring the employee that during his assignment, he will not pay more or less taxes or social security contributions than he would, had he remained in the home location.

A tax and social security calculations is done to guarantee the employee a net salary based on the gross compensation of the home country.

In case tax and social security contributions are higher in the host location, the employer agrees to pay the additional cost. The employee is, therefore, not penalized by his assignment.

In case tax and social security contributions are lower in the host location, the employee pays at least what he would have paid had he remained in the home location. Therefore, the employee does not benefit from the favorable tax or social security scheme.

This is a system guaranteeing equivalent treatment amongst a large population of assignees abroad. Indeed, since tax and social security costs are neutralized, for an employee that would go from a country with a low tax rates (i.e. U.A.E) to a country with high tax rates (i.e. Denmark), taxes stop being a topic of discussion.

Some employers do not apply the social equalization and only apply the tax equalization “concept” but this is usually only applied when the employee is seconded from a social security point of view and therefore remains covered by the home mandatory social security scheme.

② **Tax and social security protection**

Tax and social security protection is a “concept” which guarantees the employee that if tax and social security contributions are higher than the ones, which would have been paid in the home location, the employer agrees to compensate the higher amount. However, in case there is a tax or social security advantage for the employee, the employee benefits from it.

1 Moving and storage benefit

- Art pieces and precious furniture
- Vehicles (cars, motorcycles, boats, bikes, etc)
- Electric appliances (i.e. washing or laundry machine, oven, etc)
- Large volume of books (or precious books), etc.

2 Housing / utilities

- life conditions similar to the home location
- safe
- international school close by
- easily accessible transportation
- easily accessible hospitals
- budget for the apartment/house with compound
- pool and sport facilities
- deli store
- utilities (i.e. water, electricity, gas, housing insurance, personal telephone, etc).

3 Car / Transport

- a company car
- a car with a chauffeur
- accompanied transportation

4 Health coverage and insurance

- International sickness coverage (family);
- Retirement;
- Unemployment;
- Emergency repatriation insurance;
- Life, handicap and death insurance;
- Daily indemnities;
- Traveling insurance.
- Private insurance
- Housing insurance in the home country
- Student insurance for employees with children remaining in the home country, etc.

5 Others

- Internet and telephone;
- Sports or social clubs memberships



① Children's scholarship

Children's scholarship is one of the most important aspects of the family life during an international assignment. Most employers that send employees abroad pay for children's scholarships from kinder garden all the way through the end of high school.

The employee can choose to have his kids go to school in a local school. If this is the case, it is recommended to be extremely careful to the difference in the school levels between two countries (i.e. second grade in France might not be the equivalent to a second grade in another country).

For this reason, numerous national schools have been created throughout the world and employers recommend their employees to send their children to those schools.

② Assistance to help the spouse find a training / a job

We believe that an expatriation is always better if the family joins the employee. The employee will more easily mingle with the host people if his family joins him in his assignment. For this reason, an increasing number of employers are providing assistance to spouses' helping them find a training program / a job during the assignment.

This assistance can be provided through:

- Paying a head hunter in the host location for the spouse;
- Agreement between numerous firms that expatriate in the same area to offer some " local " jobs to spouses on a need basis;
- Provide a budget for some competency test followed by an action plan in the host location;
- Provide the budget for the spouse to follow a higher learning degree or long distance schooling.

① Intercultural training

Intercultural training is essential for firms that expatriate numerous employees for a big project or for the opening of a new entity abroad. Intercultural training allows the employee sent abroad to optimize the chances of exchanging professional contacts while abroad and help me integrate himself to the host local society.

Manage an international team, work with international partners or do business internationally are some of the cultural challenges in an expatriation.

For this purpose, some firms have created intercultural training courses dedicated to answering the questions and needs of individuals or firms. These training courses allow the employee to understand the values, beliefs and habits in the host coupling allowing them to have the tools necessary to work and be integrated in this international environment.

We recommend that as part of these intercultural training courses, some classes include the spouse and other family members of the family that will join the employee in his assignment.

② Language training

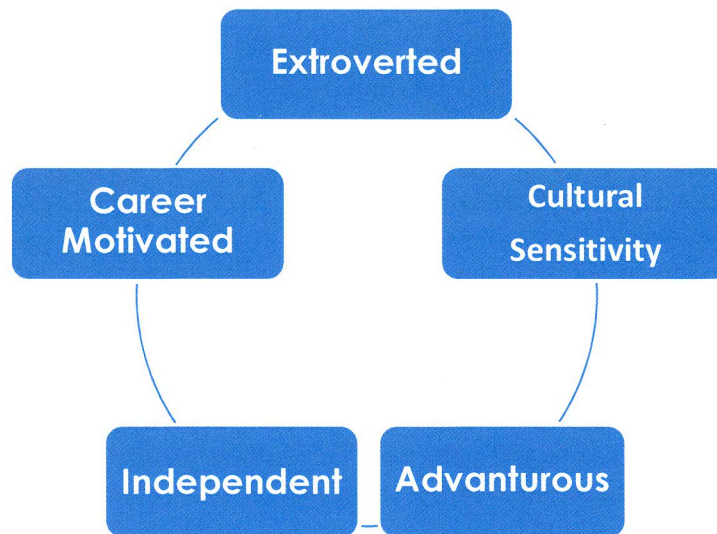
Prior to the departure of the employee, the employer can organize language courses or even enroll the employee into a language-training program. During the assignment, it is also recommended to provide the family with language courses.

③ Pre-visit trip

Most employers propose a first trip prior to the begin of the assignment to its expatriates. These trips allow for the employee to have an idea about the place where he will be working, where his family will live, visit schools, hospitals, etc.

It is often after one of these trips that the employee can make a decision about whether or not this assignment abroad will be compatible with his career and personal goals

PART EIGHT : KEY ATTRIBUTES OF SUCCESS EXPATRIATE



Several characteristics determine an expatriate's expected level of success: **job skills, motivational state, language skills, relationship skills, and family situation.** Technical competency is most often used as the selection criteria for expatriates, but that is rarely the best selection technique. The technical skills of an expatriate are of course important, but other skills can be as important. For example, an expatriate is likely to make more progress at the overseas location if he or she has effective managerial skills and administrative competencies. Strong relationships with the host country and headquarters' operations also make the expatriate's assignment more productive. Conflict resolution skills are also important to the expatriate. Expatriates must also have a strong belief in the assignment if it is to be a success, and they must believe that the assignment will be advantageous to their careers.

Motivation is likely to be higher if the person has an interest in the specific host country culture as well as in an overseas experience. To be successful the expatriate must be willing to acquire new behavior patterns and attitudes. The most successful expatriates enjoy the challenge of going their way through new situations and are comfortable networking and initiating new social contacts. These are also critical for the families of expatriates. Training for expatriates and their families is therefore as important as proper selection.

To reduce the likelihood of premature termination of the assignment, companies should choose expatriates who have well-developed relationship skills. Some characteristics are crucial for a successful expatriate: tolerance for ambiguity, behavioral flexibility, strong interpersonal skills, and a nonjudgmental disposition. In addition, an effective expatriate would have high cultural empathy. Ethnocentrism is the belief that one's culture is superior. Ethnocentric expatriates are likely to have problems adjusting to a new culture, and the local people are likely to perceive them negatively. Communication is also key.

The expatriate needs to have some working knowledge of the **host language.** But it may be more important that the expatriate have outstanding nonverbal communication skills and an understanding that nonverbal communication varies between cultures. He or she should become familiar with common nonverbal protocol in the new culture.