




cutting through complexity

INTERNATIONAL EXECUTIVE SERVICES

# International Assignment Policies and Practices Survey 2014

 Swiss Headquartered Companies

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# Introduction



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On behalf of KPMG's International Executive Services practice in Switzerland, I am pleased to present the results of our 2014 survey of the International Assignment Policies and Practices of Swiss-headquartered multinational companies.

Those of you who are familiar with the survey will know that it is tailored each year to address the most significant topics of interest to mobility professionals, and our questions are based on your input. Over the eight years that we have been conducting the survey, the topics have evolved – ranging from how best to structure an assignment package, to how to cut costs from a mobility program, to how to incentivise employees to accept an international assignment to developing countries.

This year, the key topics of interest are around managing an assignment program, exploring the possibilities for and benefits of outsourcing and off-shoring, linking global mobility to talent management and tackling the compliance issues around the growing number of international commuters.

Despite the modest growth rates in the global economy over the past year and a predicted slowdown in the rate of economic growth for 2014, very few companies are reporting a reduction in their numbers of globally mobile employees. On the contrary, many companies expect their globally mobile workforce to increase in the coming years, not only to transfer knowledge and expertise from the headquarter to the emerging markets, but also to meet the need for their organization's future leaders to have international experience and a broad global perspective.

We trust that you will find this survey informative and of value to you and your organization as you continue to adapt your global mobility strategy and processes to meet the ever-changing business needs of a global economy.



# Key survey findings in a nutshell...

**Talent management** and global mobility are becoming more integrated in many companies, but there is still much progress to be made before companies achieve the maximum benefits from their mobility programs. Leaders need to have an international perspective, and the best way to gain this perspective is by having international experience. Very often, the role of global mobility teams is limited to facilitating the processes of an assignment and ensuring compliance with policy, when they could be playing a much more strategic role in the global talent management process.

**Assignment administration** is not currently being outsourced on a large scale. With the exception of a few specific processes for which companies lack the resources or appropriate skills, most work is kept in-house. Off-shoring of assignment administration is generally limited to larger companies which are able to take advantage of an established off-shoring centre to handle certain mobility processes.

**Cost savings** continue to be a high priority, but as assignment policies become leaner, savings become harder to achieve. Many companies have cut their assignment benefits to such an extent that to cut even deeper would make it very difficult to incentivise employees to accept an international assignment. However, streamlining of assignment processes and reduction of administrative costs associated with an assignment program continue to be an area of focus for cost reduction.

**Emerging markets** continue to welcome more and more assignees. Most assignees are sent under the traditional balance sheet approach and no company has yet adopted a specific “emerging markets” policy. The benefits provided to assignees to emerging markets are, however, generally more generous than those provided to assignees to developed countries.

**International commuters** are growing in number and require careful management from a compliance perspective. Commuting within the European Union is on the rise, thanks to faster and better transport links, creating potential tax and social security risks for the employer who may not even be aware of the employee’s commuting patterns.

**“Mobility functions are having to constantly adapt in order to meet changing business requirements as well as the needs of a new generation of globally mobile employees”**



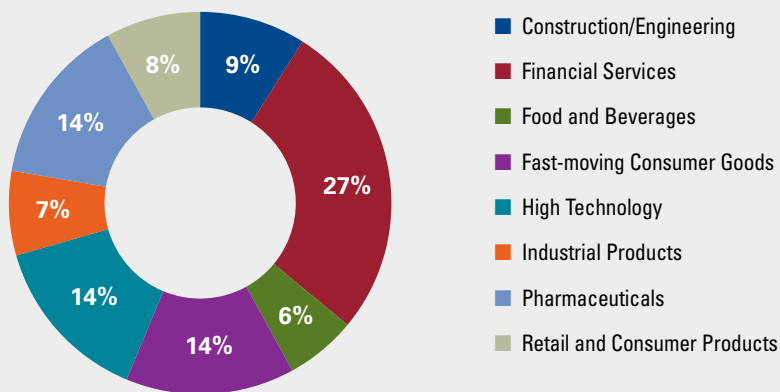
## Demographics

Our survey participants come from a wide range of industries and have a wide variation in size of their globally mobile populations. Where we noticed any specific trends or differences in practice as a result of the industry or population size, we have highlighted these in our findings.

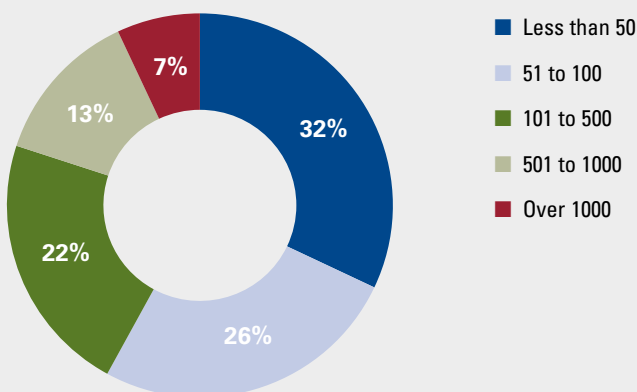
# 35%

of companies reported that in 2014 Singapore was their top host country for international assignments.

In which industry sector does your company operate?



How many assignees does your organization have globally?



There were few changes noted in the top home and host countries which are still Switzerland, the United States and Singapore. Singapore appears to be growing in popularity as a host country, with more companies reporting it as one of their top three assignment locations than in previous years. A number of the smaller companies in our survey reported that Singapore was a new destination to which they have only started sending assignees over the past twelve months. No particular challenges were reported in sending assignees to Singapore, although not surprisingly, some companies expressed that the high cost of living was causing them to carefully assess the type of policy being used to assignee employees to Singapore.

## Talent Management

In spite of the drive in recent years to cut costs out of global mobility programs, many companies report that their assignee numbers are on the increase and that they expect this trend to continue for the foreseeable future. Although the logical approach would seem to be to cut costs by reducing the numbers of assignees, global economic expansion requires globally mobile employees. For many companies, international assignments are a way of meeting immediate business needs – there is rarely time for any strategic planning about how the assignment will increase the assignee's skills and how and where those skills might be deployed after the assignment.

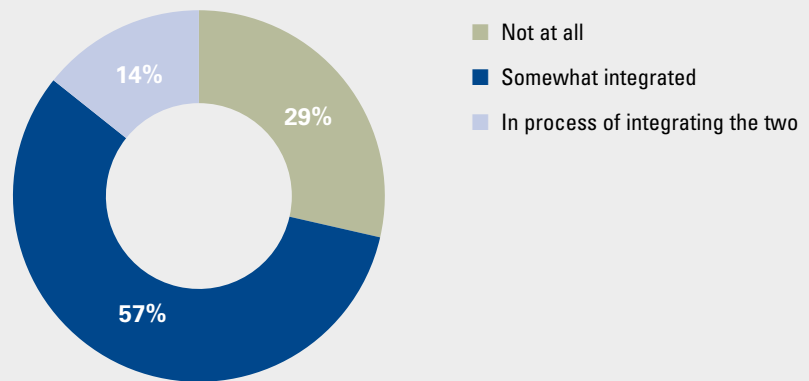
An international assignment is a significant investment, but with forward planning, it is an investment which can yield a significant return. Whereas global mobility functions are often very focussed on the cost of an assignment, talent management and global mobility functions working together, rather than independently, should be able to assess whether the investments are being made in the right people and in the right places, and whether those investments are worthwhile in the longer term.

Despite the fact that many companies reported having an integrated global mobility and talent management strategy, only one fifth of companies reported having a formal process in place for pre-assignment planning and candidate selection. A higher number, approximately 40% of respondents, reported that they have a formal global process in place to assess assignment performance, integrating both home and host performance management systems. Given the importance of developing a global talent pool, and being able to identify a company's key talents, not just locally but globally, this percentage is surprisingly low and perhaps reflects the difficulties inherent in combining mobility and talent management.

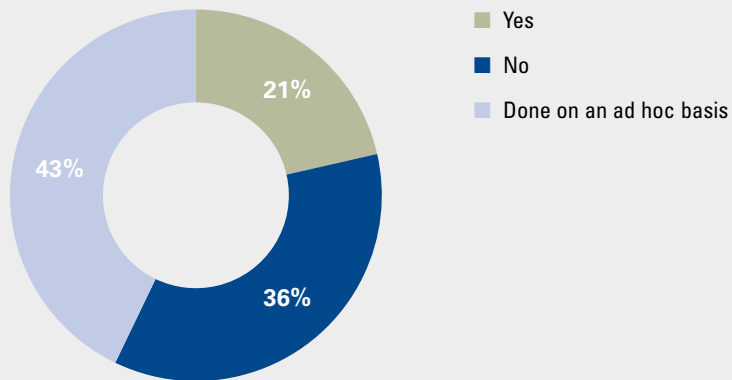




To what extent is your company's global mobility program linked to your company's talent management strategy?

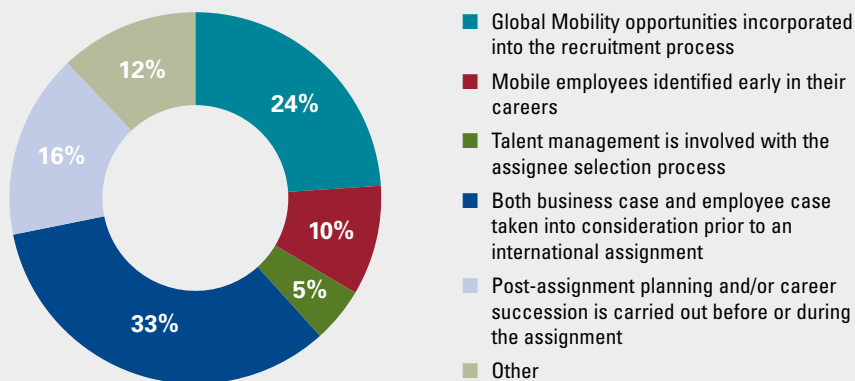


Does your company have a formal process in place for pre-assignment planning and candidate selection?



Only **21%** of companies have a formal pre-assignment candidate selection process in place.

What types of measures are in place within your organization to support the integration of mobility and talent management?



## Measuring the Success of an International Assignment Program

If talent management and global mobility together have the objective of maximising the return on investment a company makes in its international assignment programs, how do companies actually measure whether an assignment has ultimately been a success?

The cost of an international assignment is a concrete measurement. Although it cannot assess whether an assignment has been an overall success, it does allow a company to at least be able to compare the cost of an international assignee to that of a local hire, and to question whether the added value that



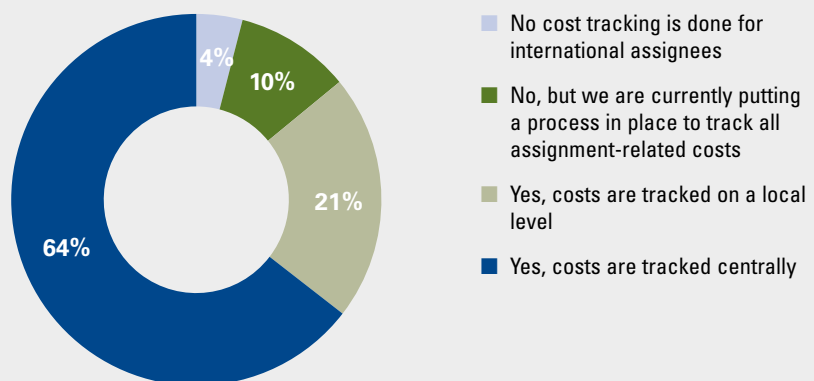
the assignee can bring is worth the additional cost. The number of companies which have centralised cost tracking processes is growing rapidly. When we asked the question two years ago about whether companies were tracking their assignment costs on a global basis, almost two thirds of survey participants responded that they had no global cost-tracking process in place. Two years later, almost two thirds of companies now report having either a global cost-tracking system in place or are in the process of developing one.

Other measures which provide some indication of a successful assignment include termination rates whilst on assignment and longevity of employment with the company following the end of the assignment. Departure from a company shortly after the end of an international assignment may reflect the fact that re-integration into the home country has not been successfully managed or that an appropriate position has not been found for the assignee in which he can utilize the skills or the experience gained during the assignment.

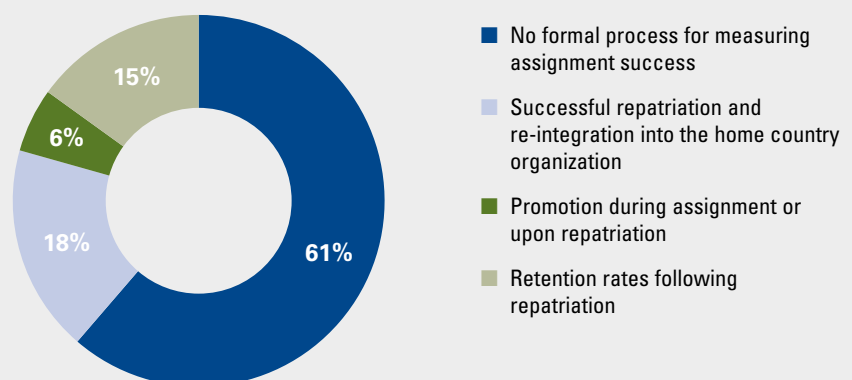
# 64%

of companies have  
centralised assignee  
cost-tracking  
processes.

Can your organization accurately track the actual costs of an international assignment?

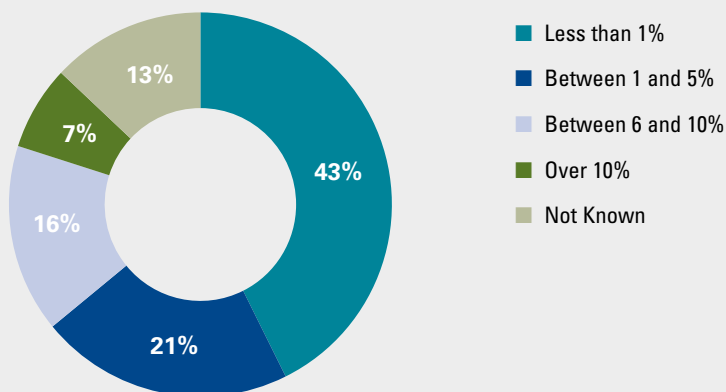


Besides cost, which other metrics does your organization use to measure the success of its international assignment programs?



Companies with high rates of assignee termination typically do not have a formal candidate selection process in place. Their assignees may be sent to a country to fill an urgent business need, without full consideration of whether he or she really has the right skills for the job, or worse, an underperforming employee may be shipped off to another location in the hopes that the challenge of a new environment will force him to improve his performance. With only 21% of our survey respondents having a formal pre-assignment selection process in place, it is perhaps not surprising that termination rates during an international assignment are significantly higher for Swiss multinationals than those reported in a similar global KPMG survey. 36% of Swiss survey participants reported an assignment failure rate of over 5%, whereas in KPMG's Global Assignment Policy and Practices survey, just 16% of participants reported a similar failure rate.

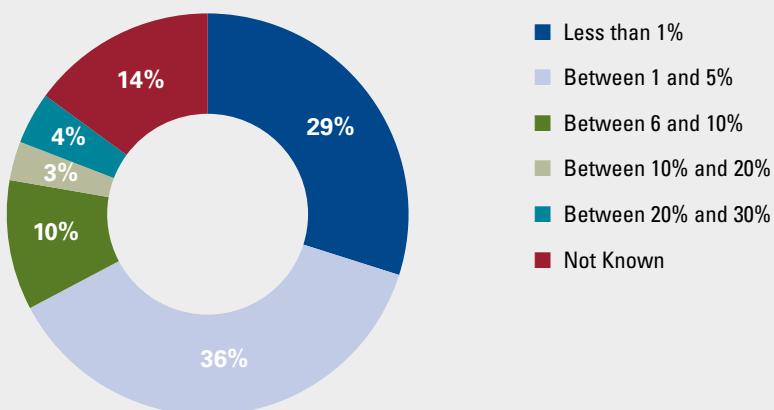
Approximately what percentage of your international assignees are terminated during an international assignment, or repatriated early, as a result of poor performance during the assignment?



# 36%

of Swiss companies reported an assignment failure rate of over 5%.

Approximately what percentage of your international assignees leave the company within 12 months of completing an international assignment?



## Assignment Administration

Although a number of companies have shown a growing interest in the possibilities of outsourcing and off-shoring, only a handful of companies have undertaken any significant steps in that direction.

Whilst a few assignment-related processes are routinely outsourced, only 22% of companies indicated that they had off-shored any processes to lower cost locations. The companies most likely to off-shore tend to be the larger multinationals, not necessarily those with the largest population of international assignees, but those who have already off-shored other HR processes, such as reporting and compliance and payroll administration. These companies already have the off-shore infrastructure in place and are able to migrate with relative ease certain of their mobility processes to those lower cost locations.

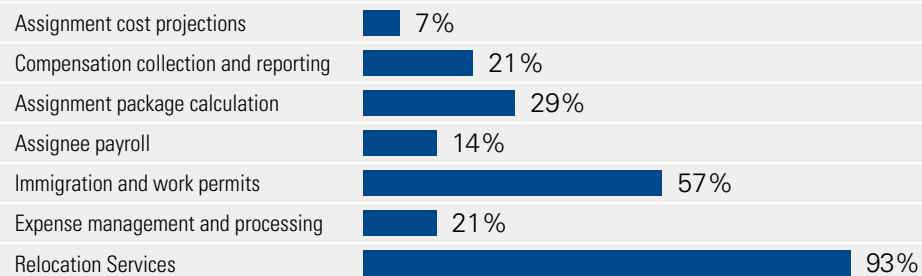
The major benefit cited by the companies that have off-shored, was the reduction of risk, as a result of standardization and automation of processes. However, establishing a fail-safe process at the outset and ensuring consistency and quality of services were both mentioned as particular challenges in the off-shoring process.

All of our survey participants reported that their mobility policies and processes were centrally controlled, although to varying degrees. Those with larger assignee populations tended to fully centralise in one location, with a few location-specific processes such as destination services being handled in the local market. Those with smaller populations were more likely to have a greater degree of decentralisation, for example, by allowing the local markets to determine their own choice of relocation provider.

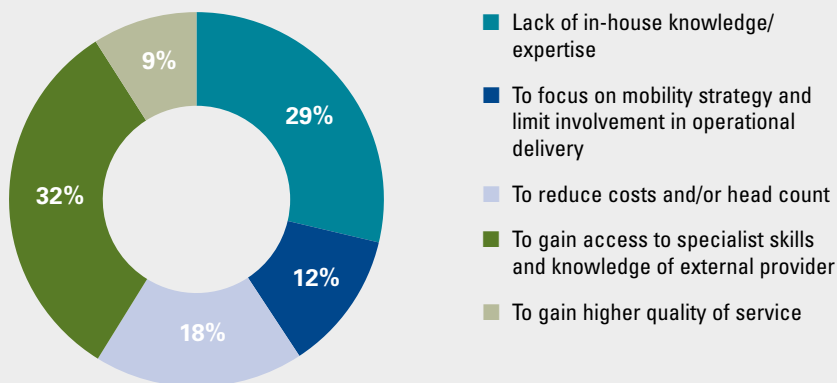




### Which of the following assignment-related processes have you outsourced?



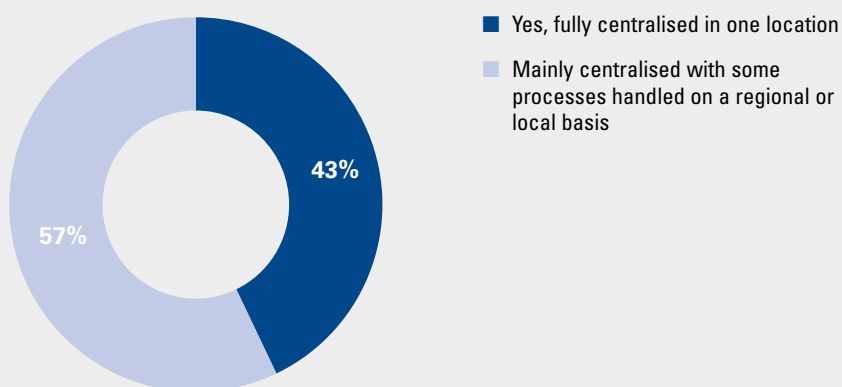
### In your opinion, what is the most important reason for outsourcing?



# 22%

of companies have off-shored part of their assignment processes.

### Are your assignment policies and processes centrally managed and administered?



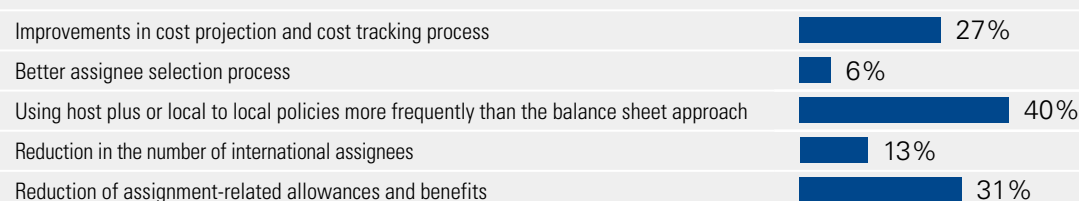
## Cost Savings

Since the onset of the global financial crisis six years ago, global mobility professionals have constantly faced the challenge of reducing the costs of their international assignment programs, while maintaining their attractiveness and ability to keep key employees mobile. Most of the companies with mature assignment programs have undertaken a complete overhaul of their policies and those policies are now significantly leaner than they were a decade ago. However, the focus on cost remains, and over half of our survey participants report that they are taking new measures to reduce the costs of their programs.

Relatively few companies reported reducing the numbers of their assignees in order to reduce costs. As many companies foresee increases in assignee numbers in order to respond to labour shortages and expansion into new markets, the only way of limiting costs is to reduce the benefits granted to employees under a company's mobility policies. Reduction in the number of assignees under the balance sheet approach, in favour of less costly "host plus" or market terms policies has been a trend for the past five years or so. Some companies noted that they have updated their policies to include a concept of core versus flex benefits, under which basic provisions must be granted to all assignees, and a more generous set of provisions can be provided for key employees, or as an incentive for strategic moves to developing locations.

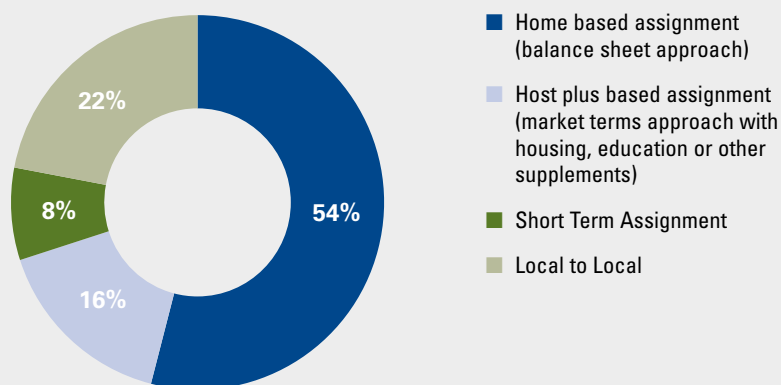
Reducing the costs of assignment administration has also been on the agenda for some companies. Off-shoring, streamlining of assignment processes, or paying allowances instead of reimbursement of actual costs to avoid time-consuming administration have all been listed as ways of reducing overall assignment costs.

Over the past 12 months, which new cost-reduction measures have you put in place?



**58%** of companies have taken new measures to reduce the costs of international assignment programs.

If your company has multiple assignment policies, which is the one you use most frequently?

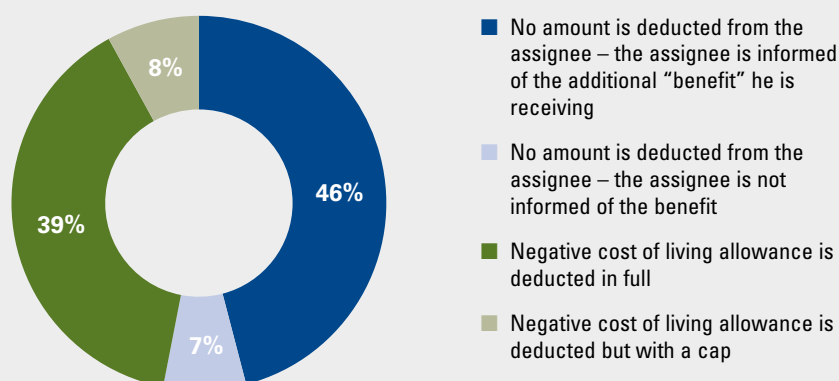


In the past 12 months, have you, or are you planning to, make any reductions to any of the following allowances or benefits?

Other relocation and settling in benefits, such as language lessons or spousal support	6%
Housing deduction	18%
Home leave provisions	7%
Cost of living allowance	0%
Hardship premiums	12%
Mobility premiums, paid at the start of or during the assignment	6%
Other	12%

Other benefits which companies have considered reducing include housing allowance, shipping volumes and relocation allowances paid in cash.

What is your approach to cost of living allowances when the result is negative?







A surprisingly large number of companies allow their assignees to benefit from a lower cost of living in the host country by not implementing a negative cost of living allowance. This trend is visible across all industry sectors and all assignee population sizes.

However, when compared to a global cross-section of companies, the number of Swiss companies implementing a negative cost of living allowance is actually quite high. In KPMG's most recent Global Assignment Policy and Practices survey, only 23% of companies reported that they deducted a negative cost of living allowance from an assignee's package, compared to 47% of Swiss companies.

# 43%

of companies  
reported making  
significant change to  
their mobility policies  
in the last 12 months.

Which of the following cash incentives does your company provide to its international assignees?

No cash incentives	7%
Hardship premium	71%
Mobility premium at the end of the assignment	36%
Mobility premium at the start of the assignment	57%
Monthly mobility premium throughout the assignment	12%
Other	14%

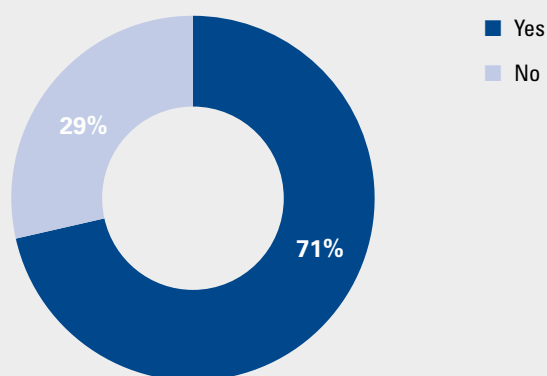
## Assignments to Emerging Markets

As expansion into emerging markets continues, mobility professionals must ensure that policies remain attractive enough to incentivise assignments to those locations. Whilst no company has yet to report a specific “emerging markets policy”, many provide certain benefits to assignees to developing countries which are not provided to other assignees. Along with the Latin American countries, a number of African countries were among those to which companies were seeing the most significant growth in assignee numbers over the past 12 months.

In parallel to the growth of inbound assignments to emerging markets, there is also growth in the number of outbound assignments from emerging markets. Some companies report that assignees from these countries are more flexible and willing to accept an international assignment, as they view the experience of working in a company’s headquarters location as a very positive career move and the opportunity to acquire skills and experience which will be in high demand upon their return home.

Among the “other” cash incentives reported was a cash-flow allowance due to

Has your company increased the number of assignments to emerging markets over the past 12 months?



# 7%

of companies have specifically adapted their policies for assignments to emerging markets.

What types of allowances and benefits do you provide to assignees to emerging markets and which are **not** provided to assignees in other countries?

None	28%
Security (security guards, driver etc)	17%
Rest and Recreation Leave	6%
Hardship premium	39%
Other	11%

lower compensation levels than in the home country. One company also reported that it was in the process of re-introducing a hardship allowance for assignees to China.

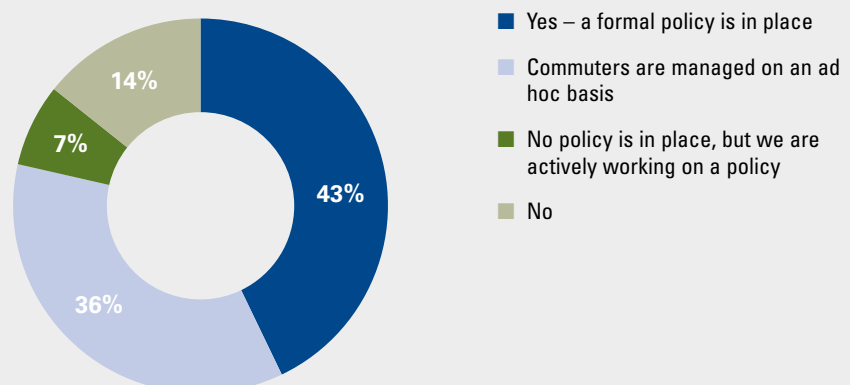
## International Commuters

The term “international commuter” is generally applied to an employee who continues to live in his or her home country, but who works in another country on a regular basis. The international commuter may be working on a temporary basis, for example, as an alternative to an international assignment, or on a permanent basis. Commuters may have an employment contract with the home country or with the host country. They may commute at the request of their employer (“business commuters”), or they may commute for personal reasons, for example, if the spouse is employed in the home location, or the children are in the final years of school (“personal commuters”).

This survey makes the distinction between these two types of commuters as we have found that they are generally treated quite differently by their employers, even though they generate similar compliance risks for their employers.

A growing number of companies report that they already have a commuter policy in place, however the provisions of the policies are generally quite different depending on whether the employee is a business commuter, or a personal commuter. Indeed, most companies do not even have a formal process for tracking and identifying employees who commute for personal reasons. Many of these personal commuters could be commuting without the knowledge of the company, and may be generating compliance risks for both themselves and their employer from a tax, social security and work permit perspective. Not only could the employee be incorrectly reporting his or her compensation for tax purposes, but the employer may also have withholding tax obligations in more than one country, or may be required to pay social security in the country in which the

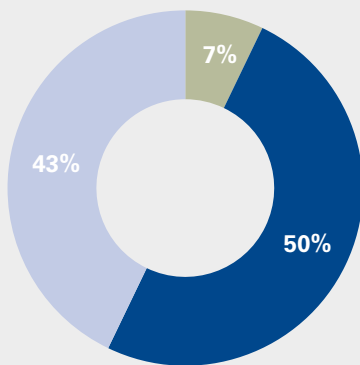
### Does your company have a policy in place to manage international commuters?





employee lives rather than in the country in which his employment contract is issued. If discovered by the tax or social security authorities, such situations could result in the employer being liable to pay taxes which should normally have been deducted from the employee, as well as late payment penalties and interest.

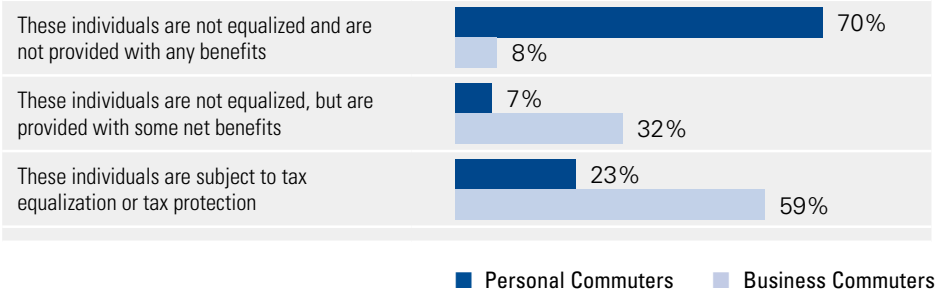
Does your company attempt to identify and manage individuals who are commuting for personal reasons, as opposed to business reasons?



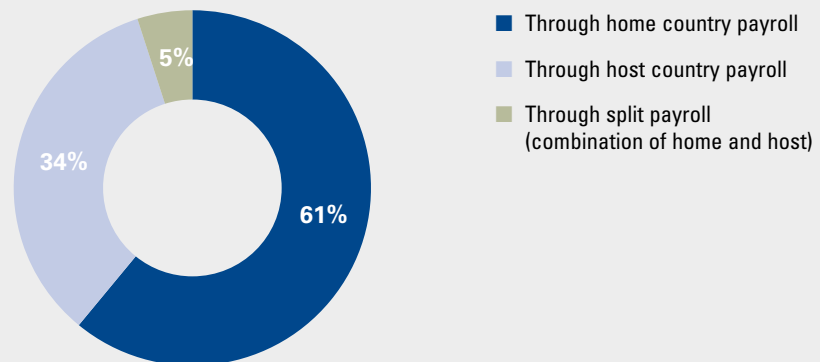
- Yes – these individuals are systematically identified and managed under a policy
- These individuals are identified and managed on an ad hoc basis
- No



What are the differences, from a tax policy perspective, between individuals commuting for business reasons, and those commuting for personal reasons?



How are your commuter assignees paid?

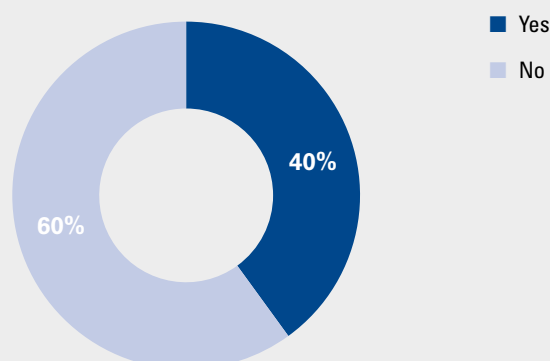


50%

of companies require sign-off from mobility or Group Tax before approving a commuter assignment.

This is evidence of a growing awareness of the risks of commuter assignments.

Are benefits (such as accommodation, travel and per diems) provided to individuals commuting for personal reasons?



## The biggest challenges Mobility Professionals are facing today

When we asked our survey participants what are the biggest challenges they are facing right now, we received a wide range of answers. Some of the answers were related to specific changes happening within the organisations and having an impact on the global mobility function. Other themes you will no doubt recognise and be able to identify with. We have reproduced below some of the quotes from our survey participants.

“...off shoring and outsourcing initiatives will lower the specialist knowledge and potentially result in a lack of specialist know-how. At the same time, the focus on compliance for taxes and immigration will require specialist knowledge and more flexibility to manage special circumstances.”

“Expectation management due to smaller assignment packages”

“Difficulties to return to home country after long-term or several assignments”

“Integrating Global Mobility and Talent Management”

“Tracking deferred compensation for international movers and work permits into Switzerland”

“The expectation that our function will have to evolve to respond to continuously changing business requirements and the needs of new generations of the globally mobile workforce to come”

“Willingness to go to emerging markets”

“Mobility for people from Western countries – people from emerging market countries are more open for the challenges of an assignment”

“Balance of compliance/oversight desired and resources”







## For Further Information

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