

Meeting expat-ations

Canadian companies are exporting a whopping \$135 billion of their domestic production to other countries and generating an increasing amount of revenue through their international subsidiaries. Both factors are leading to new opportunities for Canadians in foreign markets. It is therefore essential employers be able to move key employees where they are needed most. At the same time, Canadian companies are learning that a successful expatriate management strategy requires the hands-on involvement of their HR departments. In essence, the involvement of the HR department will allow it to use resources wisely to get the best possible return.

Assigning employees overseas is costly, typically three to four times the cost for a similar position in Canada. And transferring a senior employee abroad brings the cost as high as \$1.3 million for a typical three-year assignment.

Unfortunately, business and time pressures mean that decisions regarding sending employees abroad are made on an ad hoc, last-minute basis at the operational level where the human resource department's value-added role is not always fully integrated. In the absence of strong and well-founded HR policies, decisions on pay and benefits may result from negotiations between the business unit and the employee, and may not be based on an equitable and consistent approach considering competitive practices and/or local market conditions.

This likely contributes to the fact that the expatriate attrition rate ranges from 11% to 22% per year, according to the *GMAC Global Relocation Trends 2002 Survey Report*. And some of that attrition comes from poor policy planning and unfair treatment of employees. Other factors include employees and/or families not adjusting well when relocated to the host country and employees feeling unappreciated and underutilized by their employer following their return. Assignment failure or premature repatriation translates into significant additional investments, not to mention the loss of business opportunities, for the employers who must find and train a replacement.

There are a number of steps a company can take to maximize the opportunities for a successful assignment. The requirements of the assignment, the duration and its location will govern many of the selection criteria as well as compensation and risk-management decisions.



A successful expatriate management strategy requires the direct involvement of HR departments in planning, executing and enhancing the experience for both the employee and employer.

By Margaret Sim and Liam Dixon

SELECTING THE RIGHT PERSON

The selection criteria for an assignment generally include the candidate's skills and competencies, and international experience. Another crucial element, however, is the need for both the employer and the candidate to assess their individual and their family's capacity to adapt to a new business environment and a community's culture. The *Global Relocation Trends 2002 Survey* shows that the top reason for assignment refusal were family-related concerns. By taking the employees' families into consideration, pre-departure assessments allow an employer to determine, with greater certainty, the probable success of the relocation and to encourage candidate self-selection for the assignment.

COMPENSATION & BENEFITS

Determining the appropriate compensation and benefits package can be a source of angst for employers relocating employees overseas. Expatriates want to be compensated fairly for the job as well as for the additional costs, potential inconvenience and personal risks of working abroad. Business units want to get their expatriates established and functioning abroad quickly and pay no more than is necessary.

Management seeks to get the best return on investment as opposed to simply cutting costs. Human resources management needs to ensure that a consistent and justifiable approach is taken to the compensation and benefits policies for all expatriates. In other words, HR departments need to make sure employees don't have widely different benefits packages, plus they need to ensure they are not overpaying their employees.

Medical care is another key area that must be addressed carefully before sending an employee to another country. This is because the delivery of medical care in many other countries does not resemble the Canadian model. The potential cost "savings" of stretching a Canadian health plan to "fit" or a poorly designed expatriate plan, is simply not worth the risks of compromising the employees' personal health or the business opportunity associated with the assignment.

Employers can often overcome expat concerns about the level and quality of care available in other countries by using insurers and administrators who have developed specific expertise in matters of health insurance and emergency medical care for expatriates.

For example, some offer employees 24/7 phone support and assistance on a broad range of health and security issues. Many also have a comprehensive database of the medical resources and facilities around the world, allowing them to know which are best equipped to deal with the situation at hand and, just as importantly, which ones to avoid. Finally, if necessary, they arrange for the emergency evacuation of the claimant and, where appropriate, family members to the nearest competent medical facility.

Because of recent world events, however, both insurers and their assistance companies have tightened up their contracts to limit their liability for "uncontrollable" events that can impact large numbers of individuals. Exclusions are now being added for nuclear, chemical and biological events. For this reason, it is incumbent on the employer to ensure that their providers' contracts reflect the actual needs of the business, in the event these limitations and exclusions compromise their ability to protect employees.

Furthermore, coverage limitations and exclusions must be clear and acceptable. For example, if the contracts exclude war and terrorism, make sure there is a clearly written understanding with the providers of what, precisely, these clauses mean, and of their potential application.

A quality benefits plan that has been designed to respond to the unique needs of expats can go a long way towards providing a level of comfort and security that will allow expatriate employees to focus on the job at hand, knowing that if a medical crisis arises, they will have access to qualified and competent professionals.

CRISIS MANAGEMENT

Also essential is a contingency plan for crisis management. Such a plan will help to ensure expatriate employee security and the company's business interests. Since crisis management in matters of political unrest is not what most employers do for a living, the planning is best left to firms that have developed the tools and have the resources needed to effectively manage these situations. Such organizations can help identify areas of potential exposure to risk, assist in developing HR policies and strategies to minimize risk and be available to intervene when it is appropriate to do so. Some companies which handle this include Singapore-based International SOS, London-based Control Risks Group and Paris-based Securite Sans Frontiers.

Taking steps to provide quality protection in the event of personal risk, whether due to health or safety issues, will serve to protect the investments made in the assignment. These issues can include everything from basic healthcare to political unrest. And plan sponsors must have the resources and protocol to deal with them.

Even when assignments are completed, expatriates and their families often find it difficult to return home. Repatriated employees can feel at a disadvantage in the work environment where the people, systems and technology may have changed considerably during their absence.

Successful expatriate management practices recognize the importance of planning for repatriation in collaboration with the employee. In addition to ensuring an appropriate position is available, employers need to consider timing the repatriation to coincide with family needs and providing other opportunities to share and make the most of the employee's acquired skills and experience in the organization.

According to Mercer's 2003 survey on human resource transformation in Canadian organizations, the three top drivers in companies' efforts to transform their role in business are: making HR a strategic function, aligning HR with the organization's business goals, and responding to changes in the business-wide organization. With Canadian firms increasing the number of international employee assignments, this offers HR departments an excellent opportunity to provide a demonstrable link between HR policies, practices and business outcomes. **BC**

Margaret Sim and Liam Dixon are consultants in the health care & group benefits practice at Mercer Human Resource Consulting in Montreal. margaret.sim@mercer.com; liam.dixon@mercer.com