AIRINC
WORKFORCE GLOBALIZATION

BALANCING COST IN GLOBAL MOBILITY:

Smart Cost Savings in a Difficult Time

While there are many steps to be taken to adapt to the emerging new normal created by COVID-19, there are two specific to global mobility policy that are important to address. First, we must enhance our duty of care offerings for employees. Not only is it our responsibility to promote the wellbeing of our employees, if we don't, employees may not be willing to relocate. Second, many companies are facing a challenging financial environment. Costs are being scrutinized and global mobility programs at most companies will not be immune from pressures to cut costs.

While the temptation may be to cut costs across the board, a more balanced approach is recommended. As we consider how to respond it is important to think carefully about the best ways to balance the need to protect our employees, while at the same time keeping an eye on expenses. AIRINC has prepared this series to help guide global mobility professionals during this challenging time. Our focus is on leveraging various assignment types, the employee value proposition, and considering allowance levels.

Leveraging Various Assignment Types

We are still going to need traditional expat assignments even though these assignments tend to be the costliest. To ensure business continuity and the ability to perform critical work we will need robust packages that take care of the employees we absolutely need to go on assignment. Some employees are already expressing a reluctance to take assignments. That is why we need to continue to offer traditional home-based expat packages as they are designed expressly to protect the employee against excess costs. Furthermore, since traditional packages maintain ties to the home, the employee will retain the ability to return home if conditions deteriorate at host.

However, we can also be much smarter about when to use expat assignments and when alternatives might be better. Many companies had already adopted strict assignment governance prior to COVID-19 but not all had. Now, we also have learned that some "expat" positions can be done virtually assuming corporate tax and immigration conditions are right.

This is a good time to evaluate the right balance of expat positions, local hires, one-way moves, virtual assignments, or other alternatives. Knowing when to invest in an expat and when to use a lower cost alternative can help balance costs in the long run.

CASE

An employee with unique technical skills is needed in Jakarta to help manufacture medical supplies needed in the COVID-19 response; they are offered a traditional expat package. Meanwhile at European headquarters in Belgium, there is an open position in a corporate function that can't be filled locally. There is plenty of room for career growth at HQ, an employee who has outgrown their smaller home market is one way transferred to Belgium on a local package where they have room to progress their career.

Employee Value Proposition

We should be enhancing the company support the employee values the most. AIRINC studies of what employees' value tell us that company support that protects the employee – financially or personally – is valued higher than discretionary support. Due to COVID-19, employees will have higher expectations of company support in areas of health care and programs to protect them during crises. Now is a critical time to understand what the employee values and to add, to retain, or even to increase, support in high value areas. If cost is a concern, support that can be restructured to a more cost-effective position or eliminated can balance overall company spending.

While we recommend that each company assess what its employee population values most, it is worth considering adding or enhancing:

- **Wellbeing checks**
- **Evacuation or leave of host location support**
- **Robust medical insurance coverage**
- **Unaccompanied assignment status**

All other allowances and support can then be evaluated for potential cost savings opportunities. This will allow for smart cost savings where the most valued items are retained, and other support is retained as is or reduced.

CASE

A company evaluates its policy and discovers that it was not designed to deal with crises. The company adds evacuation protocols and implements "fit for assignment medical checks". It also finds that assumptions on home leave flights were pegged to business class and that some benefits were not being used by all employees such as language training and auto loss on sale. Home leave assumptions are reduced to economy and language training and auto loss on sale are eliminated and considered part of the existing miscellaneous relocation allowance. The new approach costs less than before but places more value on wellbeing.

Considering Allowance Levels

Selecting more conservative COLA, Housing and Utilities allowances can save money while still protecting the expatriate employee against excess costs. From high to low, AIRINC offers the Expatriate, Mobility, and Agility allowance levels for COLA, Housing and Utilities. All consider host location costs as well as take into consideration the unique spending needs of non-locals in each location. Assumptions on non-local spending adjustments are progressively lower from the highest to the lowest options.

While more conservative allowances levels have been available for some time, some companies still use the higher Expatriate level and not many companies have adopted the lower Agility levels. From our benchmarks we know that 16% of companies use the highest expatriate COLA option, 43% the moderate Mobility option, and 7% the lowest Agility level. There is room to save company money by electing a lower option while still protecting the expatriate.

CASE

A company needs to send an expat from Austria to Ireland. Using the Agility option would save EUR 18,597 per year vs. the Mobility Option. And using the Mobility Option vs. Expatriate would save EUR 22,423 a year. Imagine the potential savings if these changes were implemented for a population of 100 expats. That's almost EUR 2million per year before tax gross up!

Electing a lower allowance option does not reduce employee support substantially. Looking at the lowest Agility housing level, the employee is still provided a family a 3-bedroom house in a safe, commutable area. This is compared to the highest Expatriate option which provides a 4-bedroom house in a central area. Both are appropriate and supportive of the assignee;

Austria → Ireland

Mid-Level Employee

Family Size 4

	Expatriate	Mobility	Agility
COLA	24,666	17,543	11,421
Housing	68,500	54,500	43,250
Utilities	7,250	5 ,950	4,725
Total	€ 100,416	€ 77,993	€ 59,396
Savings		(22,423)	(18,597)
Housing Detail	4-bedroom house near central	3-bedroom house near central	3-bedroom house suburbs

Making Changes

As global mobility professionals evaluate programs and seek to adapt to the new normal, it will be critical to think through any decisions carefully. We need to structure our responses in a way that protects the employee and the company. As change is the new constant we will need to be balanced in our response and mindful of the needs of all our stakeholders. Change is expected as a result of COVID-19, it is a good time to consider the changes you could make to help your company through this difficult time.

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