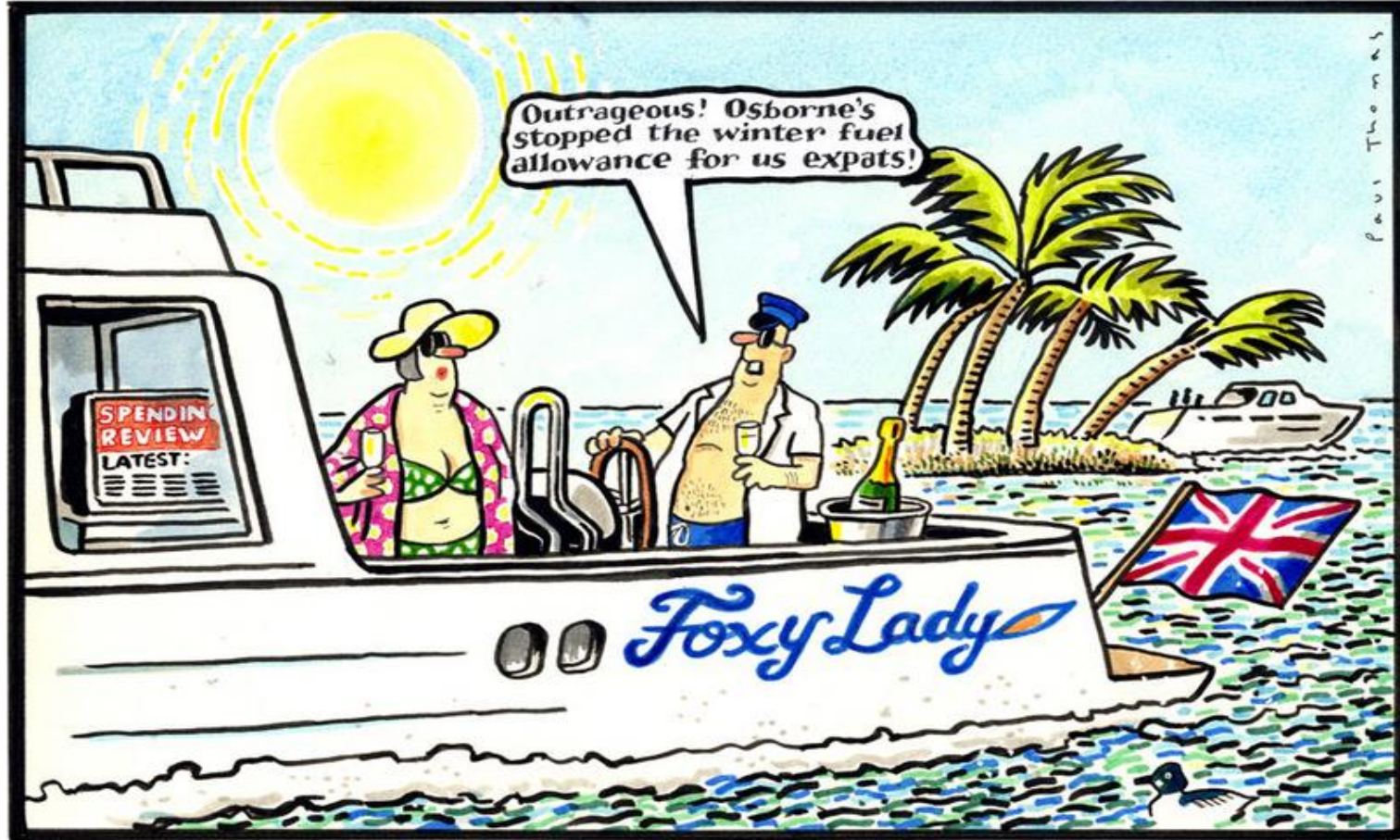


Expats Costs

Expats and ROI



FIRSTRAND



Contents

- HR determines ROI ??
- Whose decision is it to send an Expat?
- What does HR need to do?
- What does the future hold?

Who determines ROI

- Can HR calculate ROI
- What is the Return?
 - Profit?
 - Transfer of Company culture
 - Transfer of knowledge
 - Development of leaders in the Host country
 - Development of the expat for the Home country (or other Host Countries)
- When will ROI be realised?
- So who measures ROI
 - A collaboration between business, global talent management and international mobility
 - Ultimately the Host country CEO (in FirstRand's case). With the Owner Manager Culture the CEO is ultimately accountable
 - This means the CEO decides when an expat is necessary – BUT he must understand the long term business case for expats

HR's Role

- Partner – throughout the process
 - Partner and provide business with the tools to make informed decisions
 - Calculate the cost of an assignment
 - Show business the estimated cost of the assignment
 - Show what a competent local would cost
- Robust policy – agreed at the highest levels of the organisation
- Good Policy leads to less negotiation (who typically negotiates) – Costs must be set, non-negotiable.
- Enough detail in policy to make negotiations easy – country specific
- A good policy is a fair policy – applicable to all
- Tax equalise – the Expat shouldn't benefit from a lower tax rate
- Sometimes a focus on costs is more expensive – the objective should be to get the expat productive as soon as possible – so use relocation agents, don't skimp on medical cover, allow the expat choice

HR's Role (cont.)

- Certain costs are unavoidable – tax, accommodation, schooling, medical cover, leave flights – limit the allowances (but do the homework required to make them fair)
- Integration with Talent Management – send the A Team
- Clear role description, objectives and targets for the expat
- Show potential expat what net earnings will be (after tax) and how this compares to current net. (Show the Expat the total cost as well)

Annexure A			
Annexure A:		Ghana	
Seconded Name	Joe Soap		
Job Title	Soap Master		
Business Unit	FNB		
Home Country	South Africa		
Host Country	Ghana		
Host City	Accra		
Exchange Rate GHS/R and GHS/\$	0.255	3.97	
Assignment commencement Date	01.03.2015		
Assignment Completion Date			
Host Country annual leave entitlement	30		
Immediate Family: Partner Name and Surname	Sunlight		
Child Name and Surname	Surf	2011/01/10	
Child Name and Surname	Omo	2013/11/12	
Child Name and Surname	0	0	
Shadow Home Country Package	R 1 850 000		
Assignment Remuneration and Benefits (Annual)			
	Rand	Host Currency	USD
Pre Tax Salary Package (Host Country)	R 3 449 463	GHS 879 613	\$221 565
Home Country Retirement Funding (EE and ER)	R 229 000	GHS 58 395	\$14 709
Voluntary Additional Retirement Contribution	R 0	GHS 0	\$0
Accommodation Cost incl. Tax (Maximum)*	R 1 718 776	GHS 438 288	\$110 400
Utility Allowance (if not included in service fee)	R 96 565	GHS 24 624	\$6 203
Medical Cover	R 193 051	GHS 49 228	\$12 400
Annual Schooling Cost (Maximum)*	R 518 954	GHS 132 333	\$33 333
Relocation Allowance (Paid in Home Country before departure)	R 123 333	GHS 31 450	\$7 922
Flight Allowance (paid monthly)	R 588 038	GHS 149 950	\$37 771
Club Membership Allowance (Maximum)*	R 37 255	GHS 9 500	\$2 393
Estimated Value of Company Car Benefit	R 273 529	GHS 69 750	\$17 569
Driver Cost	R 117 647	GHS 30 000	\$7 557
Total Salary and Benefits	R 7 345 612	GHS 1 873 131	\$471 821
Deductions			
	Rand	Host Currency	USD
Approximate Host Country Tax	R 851 248	GHS 217 068	\$54 677
Tax on Retirement Contributions	R 57 250	GHS 14 599	\$3 677
Tax on Accommodation Benefit	R 103 127	GHS 26 297	\$6 624
Tax on Utilities Allowance	R 24 141	GHS 6 156	\$1 551
Tax on Schooling Benefit	R 129 739	GHS 33 083	\$8 333
Tax on Flight Allowance	R 147 009	GHS 37 487	\$9 443
Tax on club membership benefit	R 9 314	GHS 2 375	\$598
Tax on Car Benefit	R 16 471	GHS 4 200	\$1 058
Total Deductions	R 1 338 298	GHS 341 266	\$85 961
Approximate Net Salary	R 2 540 965	GHS 647 946	\$163 211
Approximate Net Earnings (incl. clothing, flight, driver and club allowances)	R 3 082 358	GHS 786 001	\$197 985
NB: Maximum Annual Costs (after tax)			
	Rand	Host Currency	USD
Accommodation *	R 1 289 082	GHS 328 716	\$ 82 800
School Registration and Capital Fee	R 101 196	GHS 25 805	\$ 6 500
Maximum Purchase Price of Vehicle	R 745 098	GHS 190 000	\$ 47 859
Company Costs			
	Rand	Other Currency	USD
Cost of Removals*	R 125 000	GHS 31 875	\$8 029
Miscellaneous Costs (Visas, Pre-employment medical, Psychological assessment, Look-see visit, relocation agent)	R 83 000	GHS 21 165	\$5 331
Total Company Costs	R 208 000	GHS 53 040	\$13 360
Total Cost to Company	R 7 553 612	GHS 1 926 171	\$485 182

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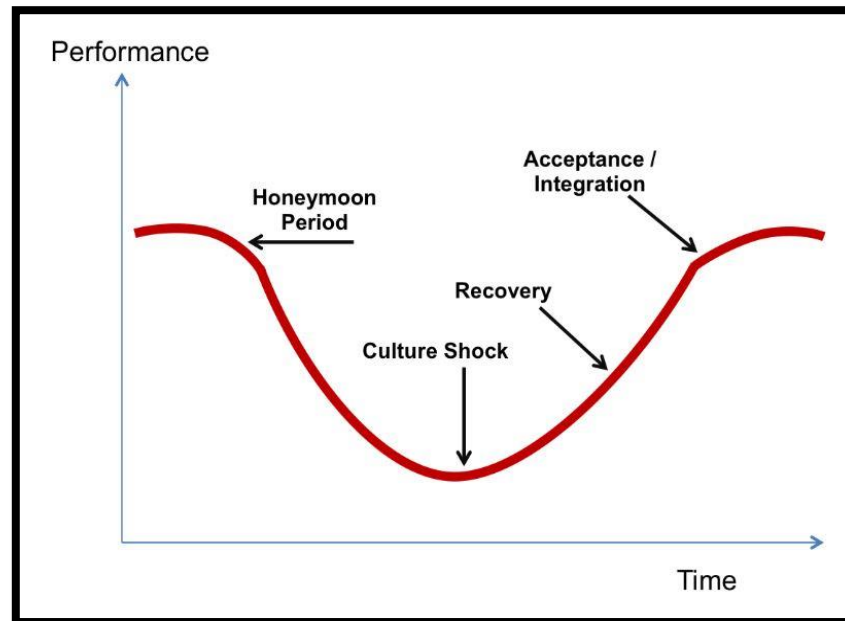
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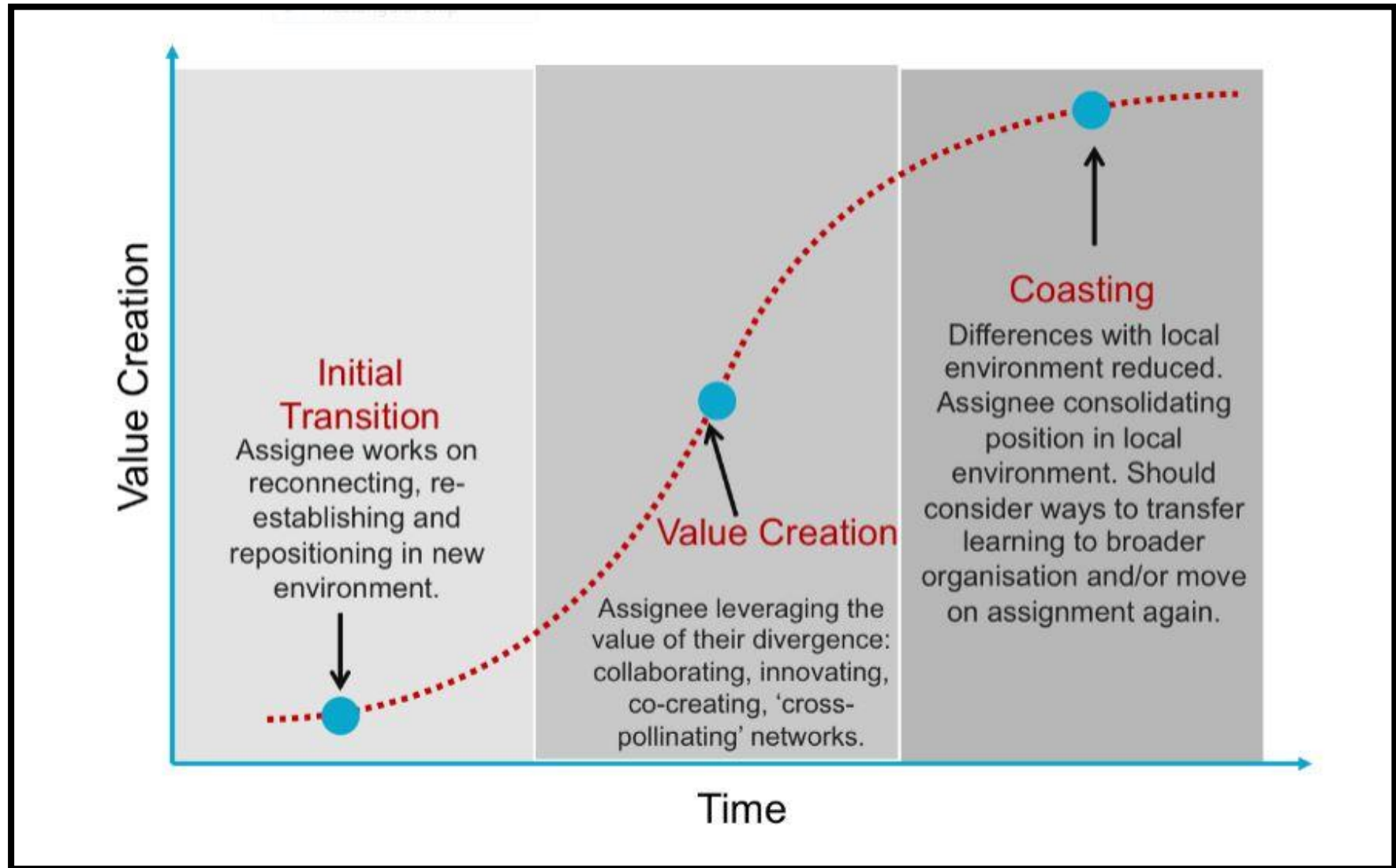
HR's Role (cont)

- Assist the expat with adjustment - relocation agents, counselling for family, cultural awareness programmes, mentoring, language training
- Follow up with CEO on adjustment and, in due course, on the expats ROI
- Remember the softer elements of ROI – handover of skills, imparting culture, mentoring local management
- Beware the U curve expectation



Rather Use the S curve model of Value Creation

(taken from “The Expatriate ROI Zero Sum Game” by Wendy Kendall)



Future of Expat Costs

- As jobs become more scarce, so expat costs will reduce?
- On the other hand.... A team players will always have other options
- Preferably - international assignments should be a pre-requisite for entry into senior management.
 - In this way it is not all about the money – the motivation is career development
 - Employees will make sure they put their names forward for international assignments
 - Managers will know they cannot hold on to employees because they will be impairing their development
 - Vacancies are advertised globally (distinguish between local and expat vacancies)

In summary

**ROI – Not
so much
but...**

**Give
management
the tools**

**Tools = Policy,
Exco Approved
Standardised
Rem method,
Know the cost,
Tax Equalise**

**Productivity
Priority**

**Talent
Management
Integration**

**Repatriate
to
maximise
return**

