

# Assignee Compensation Delivery - It's A Complex Business

In this article we explore the challenges associated with employees understanding their pay whilst on assignment and identify practical solutions that businesses can use to help clearly communicate expatriate compensation.

In an ideal world an employee would never need to contact the payroll team as they would receive the correct compensation on time and to their chosen bank account. Should they need any additional information their payslip would likely yield the answers they require. For domestic employees this is frequently the case, with generally only limited scenarios requiring additional input from the business.

The needs of expatriates are no different, but the make-up and way in which their compensation is delivered typically makes the situation considerably more complex.

## Understanding the extent of the issue

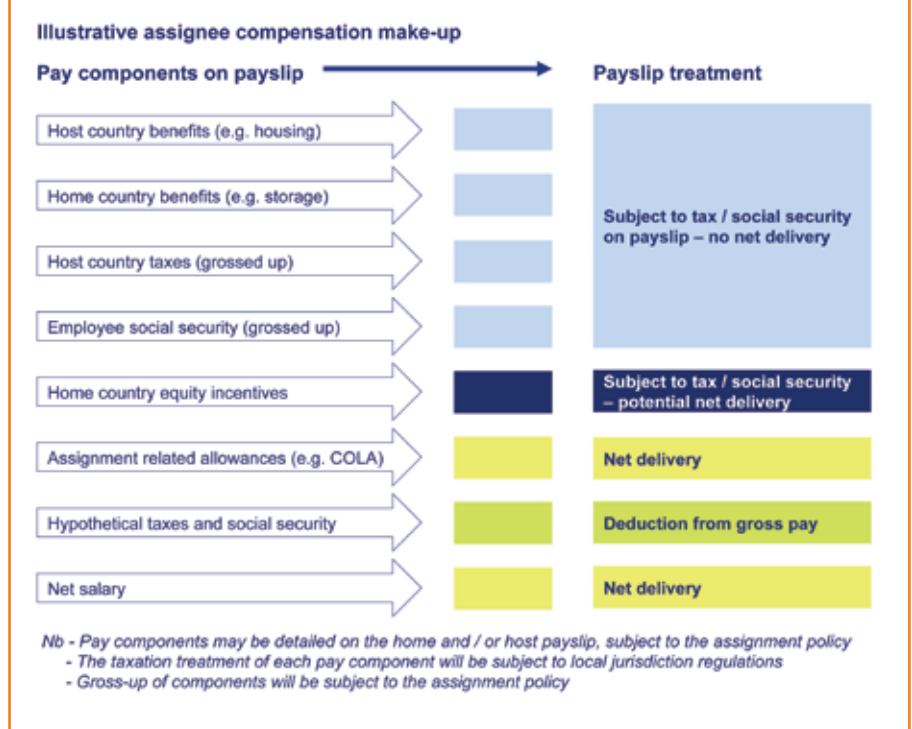
An assignee's monthly compensation is likely to consist of multiple pay elements from assignment salary and housing to cost of living and hardship payments. Their host/expat payroll could be delivered on a different payday or even a different frequency.

Overnight the number of payslips increase with both home and host locations providing a payslip (which is generally a local regulatory requirement). The pay items on each payslip multiply and even the language may not be that of the assignee's home location.

Overlay this with additional calculations for employees who are "tax equalised" and what used to be a very simple monthly statement of income becomes incredibly complex and difficult to understand. As detailed in figure 1, the volume of pay components which may need to be included on the assignee's payslip can be significant.

Taking all of these changes collectively, it is not uncommon for assignees during the entire length of their assignment to be unclear on whether the compensation they are receiving is correct.

Figure 1: Illustration of pay component make up



## What can global HR and mobility teams do to help?

Global HR and mobility teams have a unique and critical role to play in helping assignees understand and ultimately be comfortable that the compensation they receive is in line with the assignment package that was agreed.

Without this a significant amount of time that should be focussed on meeting the objectives of the assignment is at risk of being used by the assignee to validate their pay is correct and they are not out of pocket.

Get it right and the role of the HR and mobility teams can be far more focussed on delivering strategic activity and value to the business. Get it wrong and it is not uncommon to find individuals or in some cases, entire teams, acting as a 24/7 helpdesk to try and demystify assignee compensation and payslip confusion. Of course, that is not to say there will be some instances where intervention from the business is still required for more complex scenarios, with potential input also required from local payroll teams.

If assignees are not comfortable they are receiving the correct level of compensation,

the impact can be significant with a risk of reduced willingness to participate in future assignments.

To address this challenge, organisations need to ensure they have a strategy in place for clearly communicating assignee compensation. Whilst the intensity of this communication strategy may need to be dialled up and down dependent upon the complexity and structure of the underlying assignee compensation programme, the basic principles remain the same.

## Communicating assignee compensation

In line with the concept of total reward statements for domestic employees, assignees require a single report that captures all of their compensation in one place.

As with total reward statements, for some organisations it is sufficient to show this within a static report allowing the assignee to view a breakdown of their compensation items. For others, greater sophistication is required and with recent advances in Data Analytics this is now available through interactive assignee driven dashboards which allow the

Figure 2: How complex is your expatriate compensation delivery?

**Compensation delivery considerations**

- Can the assignee elect the split of pay between home and host location (subject to regulatory requirement)?
- Do assignees elect for split pay by fixed value or percentage? How frequently can they change their election?
- Are the home and host payroll pay delivery dates the same?
- Is the pay frequency the same in all locations?
- Is compensation delivered on tax equalised or gross basis?
- Are the same pay component descriptions that appear in payslips used in the home and host payroll?
- Are payslips produced in the assignee's local language?

Figure 3: Examples of assignee compensation communication formats

**Example 1 - Communication of assignment compensation on a monthly basis**

Payroll run: ##### Home Location: United Kingdom  
 Employee ID: 123456 Host Location: United States  
 Date of birth: 15/04/1975 Exchange Rate: 1.56

Recurring Assignment Net Payments:	UK (GBP)	USA (USD)
Salary		4,500.00
Cost of Living Allowance	425.00	
Car Allowance	500.00	
Location Bonus	1,000.00	
Car Allowance Employee Contribution		-300.00
<b>Actual Pay Delivery:</b>		
Home Amount	<u>1,925.00</u>	
Host Amount		<u>4,200.00</u>

Please note that this payslip should not replace your statutory payslip in either your home or host location.

**Example 2 - Communication of assignment compensation on a monthly and YTD cumulative basis**

Date Range : 01 Jan, 2014 to 31 Mar, 2014

Bloggs, Joe  
 US-UK  
 Long Term Assignment

	Jan 2014	Feb 2014	Mar 2014	YTD
<b>UK Expat Payroll</b>				
Currency : GBP				
Tax Payment (Payroll)	(1,200.00)	(1,200.00)	(1,200.00)	(14,400.00)
Gross Up	1,200.00	1,200.00	1,200.00	14,400.00
<b>Net Pay</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>United States</b>				
Currency : USD				
Base Salary	2,400.00	2,400.00	2,400.00	7,200.00
Car Allowance	230.00	230.00	230.00	690.00
Club Membership Allowance	15.00	15.00	15.00	45.00
Advance	0.00	0.00	0.00	0.00
401(k) Employee contribution	(300.00)	(300.00)	(300.00)	(900.00)
US Social Security	(90.00)	(90.00)	(90.00)	(270.00)
US Medicare Tax	(16.00)	(16.00)	(16.00)	(48.00)
<b>Net Pay</b>	<u>2,239.00</u>	<u>2,239.00</u>	<u>2,239.00</u>	<u>6,717.00</u>

individual to select the level of granularity they require (e.g. at a macro level they can view their total net compensation through to granular reporting at a pay component level per delivery location).

Critically, whatever communication method is used it is key that this is delivered with appropriate explanatory notes, FAQs and supporting information to facilitate assignee interpretation of their compensation statement.

**Obtaining the data**

Of course, the ability to report compensation data in this way is dependent upon it being available on a timely and regular basis. Unlike a domestic employee for whom the payslip produced from the payroll system generally provides all the information required, the need for consolidated reporting of disparate assignee compensation data requires a more centralised approach to data collation, storage and reporting.

The question for many organisations is how can this data be collated and maintained centrally in a robust and timely manner? For many, the answer to this is a central database which local payrolls feed into post payroll processing. This database then needs to store the data by assignee and payroll location to allow the automated production of assignee compensation reports. In addition, businesses may use this data for other purposes (e.g. assignee tax return completion and as MI data in the business).

**The next steps**

For many, the ability to implement such a structure is dependent upon developing a robust internal business case and clearly articulating the benefits of the proposed solution.

In developing a business case, we recommend organisations review a number of factors to determine their ability to collate the necessary data. For some organisations, there may be some challenges that need to be overcome. To do so will require a structured methodology with agreement from key stakeholders such as HR, global mobility, payroll and IT system teams. This should be considered and documented as part of an initial feasibility study to analyse the design considerations, and capture any challenges the business needs to overcome and identify appropriate resolution and timescales to allow presentation of a robust business case.

Figure 4: Compensation central storage database



Figure 5: Example feasibility study considerations

#### Considerations for collating assignee compensation data

Is there a unique assignee global ID?

Is there a global set of pay codes?

What is the global calendar of pay dates?

Is there a central data repository that can be used?

Can payroll output data be provided in a consistent format?

What is the impact of multiple and different assignment policies?

Have all global compensation sources been identified?

Can compensation be mapped against a unique set of global codes?

Can assignee payroll data be separated from domestic employees?

Are different payroll providers / systems used globally?

### Measurement of success

Ultimately measuring how successful any changes to the way in which assignee compensation is communicated will be based upon feedback received. Whether this is measured and tracked via a form of satisfaction survey or based on more anecdotal feedback such as whether the level of queries around assignee pay have reduced is a decision for each organisation.

Finally, whilst the benefits of successfully communicating assignee compensation in a consolidated and globally consistent manner are clear due to the complexities involved, it is recommended that the process is reviewed and allowed to evolve on an ongoing basis.

This will allow improvements to be made based on assignee feedback and as the cumulative volume of compensation data collated increases over time, there is also significant potential to use the data to support MI reporting and ultimately help inform business decisions related to assignee mobility programme design and the associated compensation costs.



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