

Global Trends and Issues

INTERNATIONAL HR EXECUTIVE SURVEY:
EXPATRIATE ASSIGNMENTS



Canadian Employers



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Executive Summary

“Most of our expatriates have enjoyed their in-country experience because of the people they meet and new experiences. ... They also have an opportunity to travel extensively from our locations. There are negative surprises – how quickly they become disassociated from the corporate location and some homesickness... but coming home is usually difficult.”

“It’s a different environment for the family. They are faced more so with the differences in the country than the employee is. The work environment is basically the same; the grocery store is not!”

Introduction	1
Survey Methodology	1
Demographics of Participating Companies	2
Executives’ Expatriation Experience	2
Executive Summary:	
Reasons for International Assignments	3
Candidate selection	3
Preparation for Assignment	3
Meeting Expatriates’ Needs During and After Assignment	4
Compensation and Benefits	4
Communicating with Expatriates	5
Measuring Success of Assignments / Repatriation	5
Health Care Plans	5
Expatriate Compensation	6
Initiatives to Make Assignments More Successful	6
Trends and Issues	7
Advice from Executives to those New to Expatriation	7
About the Sponsors	8



INTRODUCTION

In Spring 2003, the Global Trends and Issues International HR Executive Survey was administered to Canadian multinationals to examine international assignments from the employers' perspective. Sponsored by CIGNA International Expatriate Benefits (CIEB), International SOS of Canada, Inc., Mercer Human Resource Consulting, and WorldatWork, the study specifically addressed:

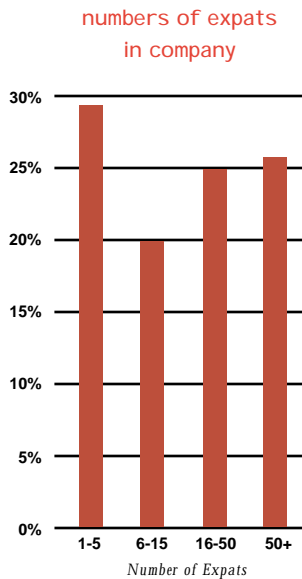
- employers' perspectives on issues facing expatriates, both pre-departure, during the assignment and upon return,
- employers' evaluations of their own expatriation programs in meeting the needs of assignees,
- how employers provide health care and compensation for their expatriates, and
- trends in expatriation programs.



SURVEY METHODOLOGY

- Candidate companies were Canadian multinationals selected from sponsors' databases.
- Individuals contacted for the study were human resource executives who were most knowledgeable about the overall HR policy for expatriates, including their benefits programs.
- A total of 72 companies participated via in-depth telephone interview or web survey. (All participants responded to the same set of questions.)
- Telephone interviews averaged about 30 minutes each. The telephone and web survey were offered in both English and French.

"Employees make money, are well insured, enjoy the European experience including a couple of paid trips home. We do not send them for longer than 12-18 months so they do not feel cut off from the home country and office."



"The line area selects the individual, and this may be an individual from the outside, and HR facilitates. We look at the bigger picture, family situation, etc. We want to do good by (our expats)..."

DEMOGRAPHICS OF PARTICIPATING COMPANIES

Over 25% of participating companies were manufacturing firms.

- 13% of companies were in the oil and gas industry.
- 11% each were in financial services or high technology industries.
- The other industries represented included transportation and communications, retail/wholesale, business services, mining, and others.

Size of participating companies was about evenly spread over four categories:

- Under 2,000
- 2,000 to 4,000
- 4001 to 20,000
- Over 20,000

Many companies had small numbers of expats, and about three-quarters had 50 or fewer:

- One to 5 expats: 29%
- Six to 15 expats: 20%
- 16 to 50 expats: 25%
- More than 50 expats: 26%

Economic factors and changes in corporate strategy had impacted program size.

- One technology firm has seen a drop in employees from 7,000 to just over 1,000. Its expats currently number less than 10, down from 30 or so in 2000.

Some companies send employees to live and work in the US, but do not consider them expats:

- A company with about 150 expats also has more than 200 Canadians living and working in the US, but they are localized and go on the payroll of the US subsidiary.

Canadian companies with expats are commonly sending these employees to the US and Europe/Middle East regions; however, companies also send expats to the Asia/Pacific region in large numbers:

- 65% of companies had expats in the US, and a similar number had expats in Europe/Middle East regions.
- 53% of companies had expats in the Asia/Pacific region.

EXECUTIVES' EXPATRIATION EXPERIENCE

Most of the participating executives managed HR for their organization. A minority were managers of mobility, compensation or benefits.

- Only 26% of executives had lived and worked in another country.
- Their responsibility for expats generally involved supervision of the entire process of preparation, home office contact during assignment, and repatriation.
- Expat management is often not their sole focus.
- Over 80% of executives had been in their positions for two years or more; 30% for five years or more.

EXECUTIVE SUMMARY

Reasons for International Assignments

Companies have multiple objectives for international assignments, including:

Percentage of Companies	Objectives for International Assignment
90%	Ongoing management of foreign operations or sales
82%	To transfer knowledge to local national
76%	To perform a specific project or task
71%	Exposure, for future management talent
60%	No locals with skills to perform the job

Other reasons included assessment of business opportunities, providing on-site customer support, business expansion, and retaining talent.

“There is no planning. We tap them on the shoulder and say “How would you like to do this?” They are gone in a month or less, while their family sticks around wrapping things up for two to three months while they’re gone.”

Candidate Selection

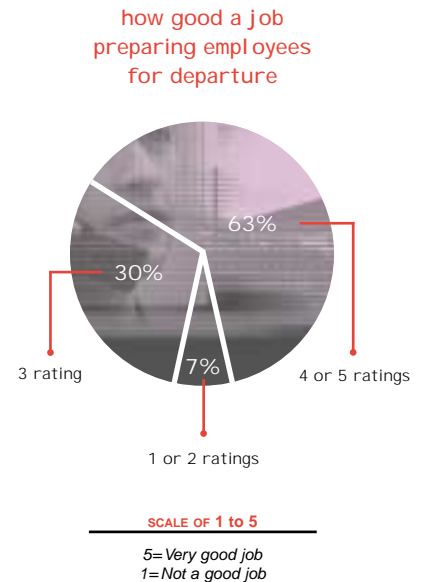
HR is involved in the selection of a candidate to fill an international assignment, along with the operating area, host country operations and, occasionally, senior management or an end client.

- In about 80% of companies, HR is involved in selecting candidates to fill assignments.
- Almost half (47%) of respondents said that greater HR involvement would improve the process. Many of those who did not feel HR involvement would improve the process mentioned they were already very involved in selection.

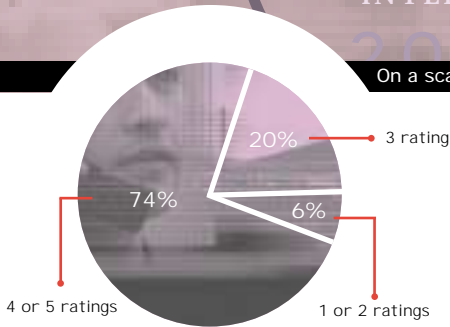
Preparation for Assignment

Two-thirds of executives thought they were doing a good job in preparing employees for departure (63% rated their company a 4 or 5 on a scale of 1 to 5, where 5=a very good job and 1=not a good job). Nearly 4 in 10 (37%) saw room for improvement (1, 2 or 3 rating):

- A lack of time to do adequate preparation, even though preparation tools are in place.
- Cultural acclimation could be improved, such as providing more information on the host country’s culture.
- Where there was a virtual lack of any preparation, expats were thought to rely on host country resources, fellow expats, and their own resourcefulness.

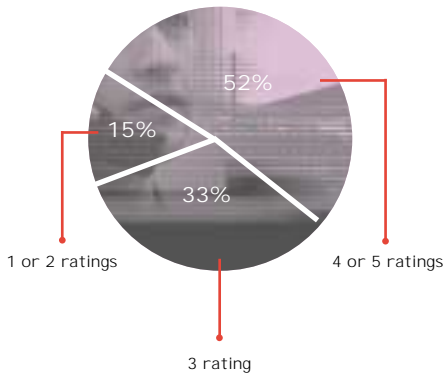


On a scale of 1 to 5, where 5=a very good job and 1=not a good job:



how good a job assisting expats while on assignment?

How good a job meeting needs of expatriates upon return from assignment?



"We do a better job going out. They get lost coming back. The value of the assignment is not taken into consideration."

"I have to talk to expats one at a time - no broad-brush communication here."

Meeting Expatriates' Needs During and After Assignment

Companies were generally positive about the company assistance provided to expats while they were on assignment:

- 74% gave 4 or 5 ratings, primarily due to their flexibility in accommodating expats' needs.
- 20% were neutral, and only 6% had a negative view.

Companies were less positive about meeting the needs of expatriates upon return from an assignment:

- Although more than half (52%) said their company did a good job meeting the needs of executives upon return, a third were neutral and 15% gave a negative rating to the job the company did.

Compensation and Benefits

In considering whether to accept an assignment, the compensation and benefits plan, as well as the perceived quality of health care, were thought to be important items.

Nine in 10 executives rated the compensation and benefits plan designed to be equal to or better than their home country plan as important (4 or 5 rating); 63% rated it as very important (5 rating).

- Nearly seven in 10 (69%) executives gave a rating of 4 or 5 to the perceived quality of health care in the host country.
- Half of executives regarded as important access to information regarding accredited health care providers in the host country or what to do if such services are not available.

A little more than a third of executives rated as important availability of emergency evacuation services (36%) and 24/7 multilingual access to physicians with knowledge of host country health care delivery system (39%).

Companies have little in the way of formal procedures to assist expats in acclimating to a foreign health care system. Reasons for this may be:

- Large numbers of expats are sent to UK or the US, so little assistance is needed.
- Executives rely on host country office and on expats already on assignment as resources for expats.
- Some companies report having arrangements for their employees that minimize use of host country medical facilities (such as company-owned or US medical clinics).

"Just as much planning must be done on repatriation. ... They need reorientation and assistance, and need to (feel they are) part of the organization again."

Communicating with Expatriates

Only 54% of executives felt that their company does a good job of communicating with their expats.

- 50% of executives said they communicated differently with expats than with regular employees. Differences noted were:
 - Extra effort to keep expats in the loop.
 - Greater use of electronic medium (email).
 - Screening and customization of information that regular employees receive.
 - Subset of company internet communications into email for expats.
 - Dedicated websites for expats in different countries.
 - Due to remote host locations, communications is through mailing addresses in Canada.

Almost 60% of executives viewed web-based services and medical provider information as important in serving the needs of their expat population.

- Part of the reason for using the web is to overcome time and distance constraints; also, the company had already integrated the web into its communication process.
- Lack of web access was the primary reason executives cited for not using web-based services.
 - One executive noted that their medical provider does not use the web, so it has limited use at this point.

Measuring Success of Assignments / Repatriation

Many executives believe that job anxiety is the primary concern for expats' upon returning to their home country.

- Several noted that assignments are too lengthy and expats are reluctant to return home.
- There is little follow-through to measure success of an assignment. Only 35% of companies have measurement tools in place.

Health Care Plans

Companies use a variety of health care plans for expats:

- Continuing on the home country health care plan: 44%
- Use the same plan that other company employees in the host country use: 44%
- Use a plan specifically designed for expats: 55%
- Expats purchase coverage for themselves, with an allowance from the company: 11%
- The plan is handled in another way: 10%

(more than one answer could be given)

88% of executives thought the health plan provided for their expats was either good or excellent.

57% of companies have a program for emergency care that is different from their regular health plan.

"They don't expect culture shock going to the US. Canadians think they understand US culture because we are inundated with it. It's another thing to LIVE in it."

"Expats get weekly updates on what's going on in Canada. I receive information each week via our intranet and within 10 minutes have it pasted up on an email..."

"They continue to get company newsletter, etc. But because there's no formal process, over time it's out of sight, out of mind."

Expatriate Compensation

How Companies Handle Compensation for Expatriates

“Know the program—and explain it to the employee. Know the tax situation, health coverage, and educational information. ... All the information is critical.”

“We let people stay out there too long and then it becomes difficult to repatriate. The world around them isn’t the same, and they are too used to being the big fish.”

“HR recognizes that it is difficult to be reintegrated and to readapt, and there is a danger of losing the employee. We counsel managers well before the return and ensure that there is an appropriate job at the same or higher level for the returning expatriate.”

more than one answer could be given:		
OPTION 1	Use home country (balance sheet) approach most often.	57%
OPTION 2	Apply local compensation policies and may provide additional allowances.	19%
OPTION 3	Use a mixed approach and apply the host country approach only in some countries.	14%
OPTION 4	Use a host country approach, which strictly applies the local compensation levels with no additional allowances.	10%

Nearly 40% had restructured compensation during the assignment, for a variety of reasons, including changing local market conditions, currency exchange fluctuations, or a promotion or change of assignment.

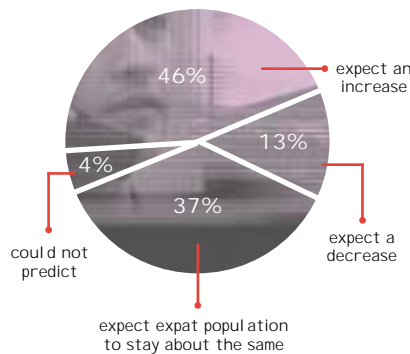
Initiatives to Make Assignments More Successful

Less than half (44%) of executives said that their company is planning changes to make international assignments more successful. Changes noted:

- Investigating a worldwide health services provider.
- Reviewing the entire service delivery process: outsourcing vs. in-sourcing.
- Annual health assessments for expatriates.
- Standardizing the expat process.
- Improving repatriation and expat communications.

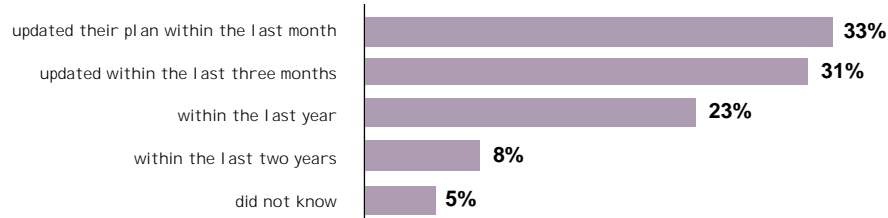
Trends and Issues

Many executives see growth in the company’s expat population over the next five years:





Over half of executives (54%) said their company has recently updated its emergency response plans for expatriate employees:



Advice from Executives to Those New to Expatriation

Have all policies and procedures in place prior to sending expats on assignments.

Understand the full costs of your expat program before making the leap. For instance, external studies have shown an expat will cost a company three to four times salary, or about US\$1 million for a typical three-year assignment.

Research best practices in advance. Seek advice from experts.

Be selective about whether an outside vendor is necessary. If so, choose them carefully.

Get the right candidate in the right assignment (Who will get the job done and adjust well to a new culture?).

- Include cross-cultural training.
- Explain the program thoroughly to the employee, including tax situation, health coverage and educational information (if there are children).
- Include a pre-assignment visit to the host country for the employee and his/her family.

Where possible, standardize processes and try not to make exceptions.

Know the countries where you're sending expats, and provide them with as much research and information as possible about the location.

Consider the family in the selection decision and make the process as smooth as possible.

- Support the family in their everyday life, especially during the settling-in process: bank account, driver's license, work permit for spouse, education for children, etc.

Listen to your expatriate employees when they talk about their needs while on assignment and suggested improvements. This might prevent a failed assignment.

Try not to let expats stay on assignment too long. It becomes very difficult to repatriate them, and they may leave the company to stay in a given location.

"Include cross cultural training. Pick the best candidate. Often this is not the best (one) technical ly, but will be one who can get the job done."

"Understand that expatriate assignments take a huge toll on the physical and emotional well-being of the individual."

"Pay particular attention to the individual, his family and his new social environment... reduce as fast as possible the irritants while implementing in a new country (housing, exchange rates, etc.)."

ABOUT THE SPONSORS

CIGNA International Expatriate Benefits

CIGNA International Expatriate Benefits (CIEB) is a business unit of CIGNA International, the global business division of CIGNA Corporation (NYSE: CI). CIEB is the largest global provider of employer-sponsored expatriate benefit programs, with more than 25 years of experience and an ongoing commitment to expatriates and their employers. CIEB presently covers more than 150,000 insured members on assignment in nearly 190 countries worldwide. It offers an exceptional range of products to meet employers' needs for medical, dental, vision, accident, life and disability coverage, as well as business travel products.

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