



## Diversity in compensation packages

### *Variations and learning points regarding expatriated contracts*

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It is customary for most consulting houses to issue an **annual trend report**. There are variations in approaches and views, yet the broad consensus is that globalization creates a need for focusing on mobility, talent, and compensation mechanisms as these areas, quickly transforming, have become part and parcel of the overall strategic direction in most enterprises.

In short, **globalization increases the requirement to build and move international talent across areas of expertise and specializations**. In turn, that means HR must pay greater attention to developing appropriate compensation packages for groups of employees that are becoming more diverse. This is in line with some of the identified trends in the *Deloitte HR Trend Report* international postings and work contracts are undergoing significant adjustments.

As a result, we are seeing **four main categories of contracts** for employees posted internationally:

#### **Expat – fixed term**

- An expat contract typically includes housing, insurance, education, partner compensation, relocation assistance, guidance with respect to taxation, etc. The base compensation is usually quite generous. The contract expires at a fixed date, and the expat continues working for the enterprise after returning.

## Local Plus

- This type of contract resembles the expat version but includes fewer benefits. The key difference is that the base compensation is geared to local standards, with supplements for e.g. housing, education (in non-English speaking countries), and insurance. The contract usually expires at a fixed date, with moving costs paid by the enterprise. Typically, the employee continues working for the enterprise after returning.

## Commuter / Business Travel

- Business trips are nothing new, but they are getting longer as they last for the duration of an entire project.  
We are noticing that some companies send employees living in Denmark off to work in another country for up to 6 months. The family remains in Denmark, and the employee receives financial assistance as well as e.g. guidance with respect to taxation.

## Local Contract

- This kind of contract is essentially similar to any local contract in terms of compensation and work. Some companies offer a settlement package including e.g. an allowance for moving costs.

**Our overall takeaway** is that the number of Local Plus contracts is increasing at the expense of Expat contracts. Expat contracts are frequently offered in connection with "hardship markets".

Commuter and Business Travel contracts are typically related to specific projects. They can also act as a convenient solution when an employee does not wish to be posted abroad but offers the required expertise for a project or market.

Local contracts are typically offered to younger employees or sometimes when a job is offered to an accompanying spouse. Also international staff employees posted to Denmark often have either a Local Contract or a Local Plus.

It is immediately obvious that **a posting abroad rarely lends itself to a cookie cutter contract**. Most of the Mobility functions we meet often experience specific needs that must be accommodated.

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