

## The Hidden Costs of Cost Savings

Today, companies are operating in an increasingly global market and need to be able to count on a mobile workforce in order to remain competitive. At the same time, the strong Swiss Franc and weakening demand from emerging markets are putting pressure on companies' profit margins and forcing them to introduce cost-efficiency programs.

International assignments are an expensive endeavor for any company because of relocation, taxation, housing, cost-of living allowance and children's schooling costing two to three times what they would in an equivalent position back home or host. These high costs become particularly apparent also in low-cost countries and/or in cases where the host country entity bears the entirety of the assignment cost. The temptation is therefore strong for firms to reduce or even scrap some of the expatriate benefits and services. Thus companies cease to offer family support measures such as children's schooling (e.g. schooling is reduced or not given at all if the language of the countries concerned is the same such as Germany and Switzerland, or USA and UK), intercultural training or formal spouse support. Other companies reduce or eliminate mobility premiums or hardship allowances intended to compensate for the inconvenience of being displaced and a significant deterioration of living conditions respectively. Still other companies offer lump-sums that expatriates can use at their discretion to cover the costs of the move abroad or opt for a less costly packing supply option (e.g. packing paper vs bubble wrap to protect fragile items from impact, etc.). Finally, companies minimize global mobility headcount.

However, we have seen many examples of this type of cost-cutting backfiring and resulting in a negative return on investment. More often than not, measures that were introduced to save costs actually cost companies a fortune.

Take for instance a seasoned sales professional who is transferred from Zurich to Hong Kong to acquire new business in Northeast Asia. The accompanying spouse left an interesting job and ailing elderly parents behind. While the assignee is settling well into the new job and ocean-view apartment on the Peak, the spouse, who has not benefited from any spouse support measures, received no intercultural training and is still mourning the Murano-glass dish from the honeymoon in Venice that broke because of below-standard wrapping, is being hit by a serious case of culture shock with depression, loneliness and home sickness three months into the assignment. Then the spouse's father in Switzerland is taken to hospital. After only eight months abroad, the couple returns home and the assignment turns into a financial disaster for the company and a very negative experience for the couple.

Or take a British family with kids transferred from London to Chicago. Because there is no language barrier between the home and host country, the company is not willing to pay for children's schooling. At first, this does not seem to be a problem and in fact the children even enjoy the local school in Chicago for various reasons, this still turned out to be a serious mistake because the children have not followed the home country curriculum. We have seen that once they returned to their home country these children needed to either repeat a class, which would be the lesser of two evils in terms of costing but potentially not for the children's self-esteem, or special individual tutoring so that the children can catch up to the home-country curriculum. The company has been asked and did provide the tutoring. However, the tutoring ended up to be more expensive than international private schooling would have been.

This is to show that ways and means of cutting international assignment costs need to be carefully considered. Measures should be taken in areas where the expatriate and family are only indirectly affected. Such solutions include the following:

### [Global mobility process management](#)

Analysis and improvement of the global mobility processes will enhance efficiency and productivity and minimize errors and risks by helping to clarify roles in a transfer (who does what), increasing accountability, improving reliability, simplifying regulatory compliance and achieving full transparency of all activities across the team and organization.

### Mobility policy segmentation

Segmenting packages can help contain costs while still allowing companies some discretion around their offer to those in strategic positions or with in-demand skills. For example, organizations may differentiate between developmental moves for young professionals and strategic moves at executive level. The segmentation can be applied on a number of levels: whereas a more senior manager would be offered a base salary in line with the home balance sheet, the young professional would be on a high local salary.

### Compensation and tax optimization

The way taxes are managed and compensation is structured can strongly impact costs. Companies need to perform or outsource analysis around where tax is incurred and whether it can be reduced. This applies to the way a benefit is delivered, e.g. paying rent directly to the landlord rather than a cash allowance to the assignee. Furthermore, we recommend to reduce lump-sum payments and rather pay out cost directly allocated to the expense concerned, e.g. book and pay home leave flight tickets via the company's travel portal and not via a (lump sum) payment to the assignee.

### Breeding of global citizens

Often companies send employees abroad who possess the necessary technical skills but lack the ability to adjust to different customs, perspectives or business practices. Companies that manage international assignments successfully assess people early in their careers by using a variety of tools to evaluate cross-cultural aptitudes, from casual observation to formal testing.

### Communication

Companies effective in global mobility prepare their expatriates and families for changes in their personal and professional landscapes. Communication before departure and at the beginning of the assignment to facilitate both the effectiveness and quick productivity of the assignee, regular contact during the assignment and, equally important, debriefing programs will facilitate both the effectiveness and quick productivity of the assignee. This is valid for the beginning as well as the end of an assignment. Particularly also upon the assignees' return as these focus on common repatriation difficulties, from communicating with colleagues who have not worked abroad to helping children fit in again with their peers.

Have we made you curious about these issues? Are you perhaps struggling with certain aspects of your mobility program? Have you been asked to revise the benefits or reduce cost of your international mobile employees and do not know how to go about it?

We at OneExpatServices have ample experience in streamlining international mobility programs without jeopardizing the motivation and retention of the international mobile workforce.

Contact us via our website: [www.OneExpatServices.com](http://www.OneExpatServices.com)