Managing global compensation

Time to take control?

October 2013
Contents

1. Introduction 01
2. Executive summary 02
3. The global compensation management challenge 04
4. Conclusion 28
   Appendix A: Participant demographics 30
   Appendix B: About us 34
1. Introduction

Businesses are tightening control over their management and reporting of global assignee compensation; this report discusses how and why.

EY and The Forum for Expatriate Management jointly undertook this comprehensive benchmarking survey, which includes the views of 32 Fortune Global 500 or equivalent organizations. Companies with global assignment programs are increasing their focus on establishing more robust approaches to managing global compensation. This report provides insight into how they are doing this today, and what their plans for the future are.

Additionally, it:

► Considers what is driving the need for a more robust approach
► Addresses the regulatory and risk pressures necessitating a change
► Explores best practice for establishing effective supporting processes and systems
► Evaluates the real benefits of a well-managed global compensation process

Our sincere thanks to all of those who took the time to participate.

Mike Hibberd
Global Compensation Services — EMEIA Lead Partner

For detailed information on participant demographics, please see Appendix A.
2. Executive summary

Business challenges are driving the need for increased control

Survey respondents were presented with five business challenges pertaining to global compensation and asked to rank their organization’s top three. Establishing effective global processes and controls ranked highest, followed by ensuring compliance with country payroll regulations and reducing or eliminating unnecessary costs of compliance failures.

Response analysis: why are businesses taking control?

Ranked number one: Establishing effective global processes and controls

Establishing and maintaining operational efficiency can be challenging for many organizations with a global assignee program, often because of the significant effort required to achieve compliance in all countries.

▶ Just over one-third of respondents state that global key personnel managing payroll processes rarely formally discuss payroll issues, while almost 60% of respondents state that local payroll and mobility does not have sufficient knowledge of assignee payroll reporting.  
▶ In addition, over 50% stated that they have no controls in place to ensure that items instructed to payroll are accurately processed on a timely basis.  
▶ Collecting accurate and timely compensation data from multiple sources, and in various different formats, is considered to be a challenge as well.

Ranked number two: Ensuring compliance with country payroll regulations

Authorities are placing greater emphasis on payroll compliance for international assignees and it can generate a significant revenue stream.

▶ Survey respondents have already faced local tax authority audits or queries, with 59% stating findings and or omissions had been noted. A higher number, 69%, reported experience with internal audits or queries for which findings and or omissions were noted.
Managing global compensation

Time to take control?

This report discusses why and how businesses are increasingly taking action to improve control over their management and reporting of global assignee compensation.

Ranked number three: Reducing or eliminating unnecessary costs of compliance failures

If a company is not compliant with home and host payroll regulations, significant penalties and fines may be imposed on an ongoing basis.

- Respondents that had experienced internal and external audits were asked whether they could quantify the cost to the business over the past three years: 68.4% did not know.
- Large tax return underpayments or overpayments were reported by 40.6% of respondents. With the number of countries that international organizations operate in and the pressure on internal mobility teams, this lack of transparency about total costs caused by gaps in global compliance is, perhaps, inevitable.

How businesses plan to respond to global compensation management challenges and requirements in the short term

- The overall themes are around changing policies, enhancing payroll processes, controlling costs and managing compensation better. There is clear recognition of the importance of this challenge, and more time is being dedicated to addressing it.

What organizations can do to ensure best practice processes and systems

- Establish effective global payroll operations – implement data checks and controls, deliver training and establish accountability
- Focus on global tax compliance – social security compliance, accurate withholding, matching employer reporting and year-end tax returns
- Reduce costs and access total cost reports – quantify spend on fines and penalties, understand total program costs
- Assess assignee satisfaction – include questions on compensation in regular assignee surveys

Three initial actions toward achieving accurate global assignee compensation and reporting

1. Identify high-risk areas and locations of non-compliance
2. Engage with local payroll in the home and host country
3. Establish a plan to correct compliance shortcomings
3. The global compensation management challenge

How are businesses taking control of their global compensation?

The survey results clearly show that most organizations are focusing sharply on establishing effective global processes and controls in order to respond to the challenge of managing assignee compensation.

The results around the five challenges, in order of respondent ranking, provide insight into what we are seeing in this area.

3.1 Business challenge number one: Establishing effective global processes and controls

3.1.1 Q. Does your company follow guidelines to set up the payroll process in order to verify reporting or withholding requirements at the start of an assignment?

![Survey Results]

Encouragingly, 50% have guidelines for correctly setting up the payroll process at the start of an assignment, in order to verify reporting or withholding requirements. Robust guidelines establish consistency and reduce the potential for error by local payroll personnel, who may not have enough experience to manage a global assignee payroll.

A quarter of respondents only have guidelines in some locations, and over 15% said “not usually” or “never.” This can lead to incorrect withholding or reporting, resulting in exposure to settlements, interest and associated penalties.

Almost 10% respond “other,” including comments such as:

- “Payments are made locally in the host country, which arranges payroll according to local requirements.”
- “Assignees remain on home country payroll throughout their assignment.”
- “A process exists for ensuring accuracy of the first payslip, but no review occurs to ensure accuracy of reporting or withholding.”

Care must be taken to confirm the correct level of tax and social security withholding. Often, there is a reporting and withholding obligation in both the home and the host country.
3.1.2 Q. Do you have a process in place to regularly capture non-cash and off-payroll items, e.g., equity, accounts payable and locally delivered benefits?

While it is positive that over 70% of respondents have a process in place, 47% of those have concerns regarding its accuracy. This highlights the importance of having both established guidelines and a review process in place, to prove the guidelines are being followed. If non-cash and off-payroll items are not being captured accurately, payroll reporting and year-end returns cannot always be correct.

“Other” responders state that various regional processes exist, but that they are working toward a global process.

3.1.3 Q. How often are the compensation details from multiple sources collected and reviewed for accuracy?

Over 50% of respondents state that compensation details from multiple sources are collected and reviewed for accuracy annually (or less). This means there is less chance of detecting inaccurate compensation details on a timely basis. This increases the risk of incorrect reporting, resulting in compliance issues.
Almost one-third state that they collect and review compensation details on a monthly or per pay cycle basis, so any inaccuracies are identified and addressed in a timely manner.

Comments from the 15.6% that state “other” include:
- “Some monthly and some annually, depending on the country”
- “Daily, in some cases (there is a dedicated team of six)”
- “Only on a reactive basis”
- “An external provider reports compensation to the business annually”
- “Currently implementing a new process to do this monthly”

3.1.4 Q. Do you instruct both home and host payroll with pay instructions for all assignee types?

Half the respondents provide both home and host payroll with pay instructions for all assignee types, enabling consistent payroll reporting and compliance.

However, 28.1% do not instruct both home and host payroll. While it can be a time-consuming, complex process, without it, the challenges of compliance from a payroll perspective may increase because tax and social security in either home or host locations may be underreported.

Comments from the 21.9% who state “other” include:
- “All assignees were moved onto host country payroll and, therefore, we only notify host payroll.” There is risk here of social security underreporting.
- “There is a single assignee payroll, based in the US.” Here, the risk is underreporting in non-US locations.
- “In certain locations, the instructions are provided by the tax team.” The risk here is incomplete home and host payment data.
- “Global mobility only provides the instruction for long-term assignees.” Here, the risk is incorrect reporting or withholding for short-term assignees.
- “All assignees remain on home country payroll.” This increases the risk of host tax underreporting.
3.1.5 Q. Do you believe you provide complete and accurate data and clear instructions to payrolls?

While 50% of respondents feel their payroll instructions are clear and provide complete and accurate data to payroll, 28.1% feel this is not the case.

Without accurate and clear instructions, local payrolls cannot make correct payments to assignees or to local revenue authorities. Clear payroll instructions are even more important for teams who don’t have sufficient knowledge of assignee payroll reporting (see responses to Q3.1.10).

Comments from those who state “other” include:

► “I can only assume they do, as we have not received complaints or remarks from other countries.”

► “We do not currently have this in place, but are implementing a process to ensure payroll instructions are clear, and the data is complete and accurate.”
3. The global compensation management challenge

3.1.6 Q. Do you have controls in place to ensure items instructed to payroll are accurately processed on a timely basis?

No 53.1%
Yes 43.8%
Other 3.1%

Over half say “no” to this question. Without controls, it is impossible to confirm payroll accuracy.

Many businesses recognize the importance of this reconciliation, as assignee experience can be negatively impacted by payroll errors that are not identified quickly. Additionally, without reconciliation, more payroll compliance issues will arise.

The “other” responses are that they have no controls in place, but are in the process of implementing them.

3.1.7 Q. Do you know how many sources of compensation and benefits data your organization manages locally, e.g., internal sources and third-party vendors?

Less than 5 13%
5 to 10 6%
10 to 20 34%
More than 20 47%

Almost 50% report less than 5 sources of compensation and benefits data that their organization manages locally: 34% have between five and 10 sources, and 19% of respondents have over 10.

“The missing piece of our compliance puzzle was not knowing if our payroll had processed payments correctly.”

UK headquartered multinational with 500 expatriates in 40 countries
Multiple data sources, in various formats, create complexity for organizations, making accurate monthly reporting problematic.

Examples of these sources are provided in the response to the next question. Organizations must establish a global monthly collection process to ensure complete compensation data capture.

**3.1.8 Q. Please identify your compensation data sources from the following list. Select all that are relevant.**

- Global mobility software tool: 28.1%
- Home payroll: 81.3%
- Host payroll: 75.0%
- Global relocation vendor: 62.5%
- Accounts payable: 56.3%
- Finance: 43.8%
- Equity provider: 43.8%
- Other: 15.6%

The majority of respondents (81.3%) receive data from the home country payroll. Other major data sources include host country payroll and global relocation vendors. Some of the “other” sources include:

- Long-term incentive program administrator
- Additional vendors
- Benefits department for items such as pension, medical and company car

Clearly, there are numerous compensation data sources that need to be collected and processed in order to report correctly on assignee compensation. Consolidating these multiple sources into one single data feed would enable companies to analyze a complete data set, allowing fast identification of gaps and inaccuracies.

“We have historically struggled to collect our expatriate compensation data and this caused us significant compliance problems globally.”

German headquartered multinational with 2,000 expatriates in 75 countries
3. The global compensation management challenge

3.1.9 Q. Who owns the management of global compensation within your organization?

Half of the respondents state that global mobility owns the management of global compensation within their organization. The “other” respondents refer to:

- “Compensation department within the HR group”
- “Mixture of global mobility, HR and tax”
- “Decentralized and, therefore, owned locally by HR or finance”
- “Global mobility and payroll”
- “Global mobility for assignment expenses and regional compensation, and the benefits team for employee benefits and compensation”

Typically, there will be a variety of stakeholders involved in the management of global compensation. The responsibility for accurate assignee global compensation often straddles different departments, as indicated in the responses above.

This can result in a lack of clear ownership, as specialist departments focus on areas directly aligned to their own area of expertise, rather than overall compliance and assignee experience. It is important to clearly agree who is ultimately accountable and responsible for assignee payment and tax compliance in the home and the host country.
3.1.10 Q. Do you believe your local payroll and mobility teams have sufficient knowledge of assignee payroll reporting?

Almost 60% state that local payroll and mobility does not have sufficient knowledge of assignee payroll reporting. However, it appears that regional differences exist in payroll expertise.

There is often awareness that local teams have insufficient understanding of the complexities of assignee payroll reporting to execute it accurately. Many organizations have a skilled central team responsible for coordinating local country payrolls. Clear and complete payroll instructions can assist here, along with regular training and communication.
3. The global compensation management challenge

3.1.11 Q. How often do key global personnel managing payroll processes formally discuss payroll issues, e.g., home country and host country payroll leads?

Just over one-third of respondents state that key global payroll personnel rarely discuss payroll issues formally. However, just under 22% formally discuss either monthly or per pay cycle. Almost 16% discuss these issues on a quarterly basis. Comments within the option “other” include:

- “It depends on the changes being made.”
- “Regular global payroll calls do not exist.”
- “It is on an ad hoc basis.”
- “Only as issues are identified or raised.”
- “It is managed externally by a global relocation company who liaise with both home and host payrolls.”

Unless payroll is managed externally, payroll professionals around the globe may not be meeting regularly enough to discuss and resolve issues. By being more aligned internally, the likelihood of duplicate effort, conflicting processes and inconsistent controls could be reduced. In order to achieve streamlined payroll operations, those responsible should be more aligned therefore in their approach.
3.2 Business challenge number two: Ensuring compliance with country payroll regulations

Ranked second as a business challenge, compliance is often the reason many organizations want to get their global processes and controls working effectively.

3.2.1 Q. Have you experienced any local tax authority audits and queries for which there were findings and omissions noted?

Fifty-nine percent of respondents have experienced local tax authority audits or queries for which findings and omissions were noted, including:

- Non-compliance in certain locations, mainly regarding equity but sometimes other compensation
- Stock was being reported incorrectly locally
- Omissions relating to social security contributions
- Issues with taxation of deferred compensation in the UK
- Obligations relating to short-term business travelers and PAYE (pay as you earn) reporting

Tax authorities are placing greater emphasis on payroll compliance and this may result in a significant revenue stream. Consequently, audits of this nature will probably continue to increase, resulting in the assessment of fines and penalties.

Increasingly, revenue authorities request confirmation of a company’s internal processes and procedures and, based on this, assign them a risk rating. A higher risk rating will lead to more interventions and an increased probability of findings or omissions being found.

Consistent employer and employee year-end reporting must be achieved in order to reduce the risk and frequency of audits and minimize any reputational risk. For example, businesses already recognized as having compliance failures could experience additional complications in areas such as visa and immigration approval.
3. The global compensation management challenge

3.2.2 Q. Have you experienced any internal audits and queries where findings and omissions were noted?

- Yes: 31%
- No: 69%

A significant majority, 69%, have experienced internal audits or queries that noted findings and omissions, including:

- Payroll reporting errors due to manual processes, with no compensation reconciliation or shadowing of items outside of payroll
- Data capture inadequate to provide assignees with accurate global pay statements
- Payroll required to put several controls in place
- Incorrect payments and omissions

An internal audit finding or omission is a warning sign that an organization’s controls and processes may need to be reviewed and/or revised.
3.2.3 Q. What countries present the greatest challenges?

These are ranked:

1. USA
2. United Kingdom
3. Germany and India (joint third)
4. China
5. Australia, France and Russia (joint fifth)
6. Asia as a whole, Brazil and Switzerland (joint sixth)

The responses to this question will have been partly driven by the number of assignees in those countries, as well as the level of compensation complexity per country. This is because of strict withholding and reporting rules relating to non-cash payments and year-end reconciliation requirements.

India and China are high-growth areas where tax and social security laws have changed significantly over the past few years. Both locations require navigation of complex tax laws in order to report compensation and withhold compensation correctly.
3.3. Business challenge number three: Reducing or eliminating unnecessary costs of compliance failures

Organizations are realizing that failures in compliance can generate significant ongoing costs.

3.3.1 Q. In general, do you experience large tax return under or overpayments?

While 43.8% do not experience large tax return underpayments or overpayments, a significant 40.6% do.

Comments from the option “other” include:

- “We do not tax equalize.”
- “We do not know whether this is the case.”
- “It depends on the policy type.”
- “Only in some cases.”

If organizations do not address the compliance issue, and under or overpayments continue to be made (along with other regulatory failings), penalties and fines may be imposed. The necessary payroll rework can also take a significant amount of time.

Large income tax underpayments often indicate that employer social security payments are also not being paid accurately. In countries where such payments are uncapped, this could be a trigger for a revenue authority review.

If large tax return under or overpayments are frequent, the revenue authorities may be alerted to a general weakness in overall payroll compliance, with a potential negative impact on an organization’s reputation. Examples of overpayments include bonuses paid in the home and host countries, last-minute local payments processed through payroll, local benefits to which assignees are not entitled and total payments grossed up.
3.3.2 Q. Are those who experience large tax return underpayments or overpayments generally underpaid, overpaid or a combination of the two?

Over half (55.6%) report a combination of overpayments and underpayments. One-third are generally overpaid and 11.1% report underpayment.

Underpayments are the result of not withholding enough tax during the year, and a shortfall will need to be made up. Overpayments could indicate an inadequate system, where duplicate information is likely being reported, non-taxable items are being taxed or credits are not factored in.

Both conditions present problems:

► A large discrepancy between the tax withholding and tax calculated in the tax return can trigger investigations and possible fines by revenue authorities.
► Social security refunds usually cannot be refunded via a tax return and are often not reclaimed by the employer.
► For tax equalized employees, tax refunds are paid directly to the assignee and can be difficult to recover or may take longer to be repaid. In addition, underpayments may not be budgeted for and can create funding problems.

Better focus on withholding throughout the year can reduce large overpayments and underpayments of tax.

“We have experienced penalties and extra costs due to the poor quality of global data. We are now seeing these costs decline as we address these gaps.”

German headquartered multinational with 2,000 expatriates in 75 countries.
3.3.3 Q. If you have experienced internal or external audits and queries where findings and omissions were noted, can you quantify average costs to the business over the last three years in interest, penalties and professional fees?

- Less than £1m: 5.3%
- £1m to £3m: 10.5%
- Over £3m: 15.8%
- Not known: 68.4%

The majority (68.4%) do not know how much it had cost the business, while 15.8% believe it is less than £1 million. Over 10% report between £1 million and £3 million of costs to the business, and 5.3% state more than £3 million.

Often, central teams have no visibility of compliance failings’ costs to the business globally. They may have some awareness of an issue in a specific country but, unless appropriate processes and controls are in place, these are unlikely to be isolated instances.

Lack of transparency does not support the establishment of any remedial or process improvements, because there is not enough clarity regarding what needs to be resolved.
3.4 Business challenge number four: Accessing total program cost management information

It appears that the ability to quantify total global assignee program costs accurately is becoming increasingly important.

3.4.1 Q. Can you accurately quantify the total current cost of your assignee program, including all cash and non-cash items?

Only 18.8% of respondents can quantify the total current cost of their global assignee program.

Comments from those who answer “other” include:

- "Yes, but the accuracy is questionable."
- "In theory, the structure is there but is not monitored, so therefore there could be mispostings."
- "We don’t currently, but we should."

Determining the overall cost of an assignee program requires taking a huge amount of costs into account, including: total cost of the assignee population, spend on vendors and costs by region, policy type, expense type.

Access to accurate management information allows organizations to:

- Perform a cost benefit or value analysis of the global assignee program
- Make informed, strategic decisions on the future of the program
- Internally recharge assignee compensation costs
- Make decisions on the best approach to deal with legislative changes
3. The global compensation management challenge

3.4.2 Q. Do you have an accurate overview of actual total assignment costs vs. any original cost estimate or budget?

- Yes: 15.6%
- No: 65.6%
- On some costs, but not all: 18.8%

Over 80% said they do not have an accurate view of all costs. Given the response to the previous question, it is not surprising that only the same low percentage have an accurate overview of the actual total assignment cost vs. the original cost estimate or budget.

Being able to determine actual assignment costs vs. original cost estimates allows organizations to:

- Identify any cost overruns against budget per assignee, per supplier and per payment type
- Improve accruals management
- Refine the cost estimator or adjust for future proposed assignments
- Identify costs that have not been considered or paid in error

For the 18.8% with an accurate overview, 22.2% state that costs are in line with the original budget. The same percentage report actual costs in excess of the original budget, and 55.6% state that some actual costs were over and some under budget. None reported overall actual costs consistently less than budget.
If an organization’s assignment costs continue to be in excess of the original budget, it becomes very difficult to accrue assignment-related costs confidently or evaluate the return on investment of assignments. Informed decision-making about the future of the global assignee program, including policy agreement, becomes challenging.

3.4.3 Q. How important is it to your organization to quantify total program costs?

In the economic climate, two-thirds say it is very important to be able to quantify total program costs. Over 30% state it would be nice to have, and only 3% see it as unimportant. As discussed in 3.4.1, where 40.6% of respondents cannot accurately quantify program costs, we can conclude that there is a disconnect between the business expectations or requirements of the global assignee program managers and what is being provided. Being able to quantify total program costs enables strategic decision-making, as the business can review the status of program costs, trends and detailed assignment breakdowns, and actively manage or reduce these costs.
3. The global compensation management challenge

3.4.4 Q. Do you actively manage or review any of the following costs?

The costs associated with vendors are the most actively managed, followed by assignment and relocation costs, and then compensation items. Over 28% do not actively manage any costs.

Vendor costs are typically more actively managed than other costs because they are transparent. This is positive, as it enables regular reviews to ensure the business is getting value for money; however, it is important that all major areas of cost are reviewed in a similar way. Little or no visibility of such costs presents a challenge.

3.4.5 Q. If your organization actively manages the above costs, on what basis is this done? Select all that are relevant:

Of those that actively manage costs, 71.4% do it globally, followed by 19% on a per-assignee basis.

Managing costs on a global basis allows companies to evaluate total spend on the international assignee program effectively and identify potential global savings to ensure maximum cost reductions.
3.5. Business challenge number five: Improving assignee satisfaction through accurate and clear global statements

Ranking only fifth as a business challenge may reflect a lack of central visibility over assignee satisfaction.

3.5.1 Q. What percentage of assignees raise questions on the accuracy of their delivered compensation?

![Pie chart showing percentage of assignees raising questions on the accuracy of their delivered compensation.]

- Less than 5%: 65.6%
- 5% to 10%: 18.8%
- 11% to 20%: 3.1%
- More than 20%: 12.5%

The majority (almost two-thirds) state that less than 5% of assignees raise questions on the accuracy of compensation. While this appears to be reassuring, it may indicate that queries are not always brought to the attention of the global mobility team, but dealt with by local line managers or HR.

However, 18.8% report that 5% to 10% of assignees do raise questions on the accuracy of their compensation, and 12.5% state that over 20% raise questions.

Accurate and clear compensation will always be a key area of focus for assignees. They must be able to reconcile their home and host payslips back to their assignment letter. Making clear and simple global compensation statements available to assignees can significantly reduce any confusion and improve their assignment experience.

“Assignees were not able to reconcile their income and did not understand their payslips ... this caused huge frustrations and was time-consuming to deal with.”

UK headquartered multinational with 800 expatriates in 50 countries
The responses here reflect the answers to the previous question. However, where adjustments do need to be made, they must happen quickly. Significant over or underpayments discovered months later become very difficult to rectify, particularly overpayments, which are often written off.
3.5.3 Q. If you survey your assignee population, do you include questions associated with compensation issues?

Only one-quarter include questions on compensation in their assignee survey, while well over half do not. Of those answering “other,” almost all do not currently survey their assignee population.

By not including questions associated with compensation in an assignee survey, problems experienced are potentially being overlooked and dealt with on a local, rather than global, basis.

For those that do include compensation questions, 30% receive favorable responses, 60% are neutral and only 10% unfavorable. This response indicated that compensation is not currently a major area of concern for assignees themselves.
Assignee compensation process objectives

Our final question was: over the next 12 months, what are your organization’s top three objectives associated with the assignee compensation process?

Responses vary enormously, but indicate a strong desire to focus on the following global compensation issues:

Enhancing the payroll process

► Implement new expense management systems, global assignment management tools or a global payroll platform
► Streamline and standardize payroll processes
► Improve the mechanism to provide data to payroll
► Improve payroll teams’ knowledge of assignee issues and their capability to make payments and withholdings, or revisit requirements being placed on payroll
► Pay assignees accurately, with a focus on senior management assignment pay
► Review the recharging of the central payroll process
► Review and implement a process for payment of home country social security
► Implement responsibilities matrix for all jurisdictions relating to compensation tax and payroll

Controlling costs

► Reduce or control costs
► Measure return on investment

Better management of compensation

► Ensure compensation is complete and accurate
► Increase the efficiency of compensation collection
► Include all assignment types in the compensation collection process
► Improve US reporting, especially on deferred compensation
► Move toward quarterly compensation reporting and review
Changing policies

► Implement new service delivery models
► Reduce number of assignment policies or change the policies
► Offer a more flexible package
► Standardize benefits provision
► Review localizations
► Finish development of new global salary guide

Other

► Improve tax planning
► Integrate talent and global mobility
► Focus on tracking business travelers
► Review the potential impact of the Capital Requirements Directive (CRD4) on assignee benefits in Europe
► Manage risk
► Update global mobility technology
What organizations can do to develop best practice processes and systems

It is clear that many large corporations recognize the importance of accurate global assignee compensation and reporting. Businesses face various challenges that are driving the need for a more robust approach.

Focus has also intensified as a result of increased intervention from tax and revenue authorities. High numbers of our survey respondents have already experienced internal and external findings or omissions, which can result in penalties and fines, as well as a potential reputational risk.

A significant number are also experiencing large personal tax return under or overpayments, which could trigger revenue authority reviews.

Despite this focus, achieving full control and establishing a consistent, compliant approach to assignee compensation globally can be challenging.

Establish effective global payroll operations

- Put more checks and controls in place, review all data sources and establish company guidelines, ensuring payroll will be processed more quickly and accurately.
- Establish effective training to improve local payroll and HR team knowledge of global assignee payroll reporting.
- Agree and communicate ultimate accountability and responsibility for assignee payment and tax compliance in the home and host countries.

Focus on global tax compliance

- Address social security compliance; it cannot usually be corrected via tax returns.
- Implement accurate withholding to avoid problems of managing large under or overpayments at year-end.
- Ensure employer reporting and year-end tax returns match to avoid revenue authorities focusing on the gaps, which may trigger audits.

Reduce costs and access total cost reports

- Quantify total spend on penalties, fines and audits associated with non-compliance.
- Ensure accessibility to sufficient program cost information to enable cost reduction.
- Focus cost reductions on the largest, rather than the most easily measured, costs.

Assess assignee satisfaction

- Probe the area of assignee satisfaction more deeply by asking relevant questions in assignee surveys to confirm they are paid accurately and understand their compensation, especially at key stages of the life cycle.

4. Conclusion
Three initial actions toward achieving accurate global assignee compensation and reporting

1. Identify high-risk areas and locations of non-compliance:
   - Identify which countries are causing the most issues in terms of incorrect pay and reporting, fines and penalties
   - Establish where in the compensation process you are experiencing significant issues

2. Engage with local payroll in the home and host country:
   - Identify home and host country payroll leads
   - Establish regular, formal meetings for global key personnel to discuss any payroll issues

3. Establish a plan to correct compliance shortcomings:
   - What internal or external audit findings or omissions have been noted, if any?
   - Prioritize these areas and agree the steps to resolution

These actions summarize some initial areas of focus that could significantly improve the process of delivering and reporting accurate compensation to assignees.
Appendix A: Participant demographics

This section presents the detailed demographics of the 32 organizations surveyed. Individual respondents all held roles within global mobility functions.

**Industry sector**

- Financial services: 16%
- Media, telecoms or technology: 16%
- Pharmaceutical or health care: 16%
- Other: 16%
- Retail or consumer goods: 14%
- Automotive, engineering or manufacturing: 6%
- Aerospace or defense: 6%

Over half of respondents were located in three main industries. The majority were in the financial services sector, followed by retail or consumer goods, and then media, telecoms or technology.

**Number of assignees**

We intentionally invited organizations with large numbers of assignees to participate, assuming they have the greatest awareness of assignee payroll risks and challenges.

Just over 9% of respondents have fewer than 100 assignees, just over 59% have between 100 and 1,000, and just over 31% have more than 1,000.

<table>
<thead>
<tr>
<th>Number of Assignees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 50</td>
<td>6.2%</td>
</tr>
<tr>
<td>50–100</td>
<td>9.4%</td>
</tr>
<tr>
<td>101–200</td>
<td>9.4%</td>
</tr>
<tr>
<td>201–300</td>
<td>9.4%</td>
</tr>
<tr>
<td>301–400</td>
<td>12.5%</td>
</tr>
<tr>
<td>401–500</td>
<td>9.4%</td>
</tr>
<tr>
<td>501–750</td>
<td>18.8%</td>
</tr>
<tr>
<td>751–1,000</td>
<td>6.2%</td>
</tr>
<tr>
<td>1,001–1,500</td>
<td>15.6%</td>
</tr>
<tr>
<td>1,501–2,000</td>
<td>9.4%</td>
</tr>
<tr>
<td>Over 2,000</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Note: the size of the program does not depend on the company size, but number of assignees worldwide.
Almost 41% of the survey respondents were headquartered in Continental Europe, compared with 34.4% in North America, almost 19% in the UK, and just over 3% in both Asia and Australia and New Zealand.

The majority of the respondents have between one and five policies with one-quarter of the respondents having four policies, that they use to support their current population.
Appendix A: Participant demographics

Home countries
The number of home countries from which respondents send their assignees ranges from 4 to 60, with the lower quartile, median and upper quartile being as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower quartile</td>
<td>11</td>
</tr>
<tr>
<td>Median</td>
<td>25</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>40</td>
</tr>
</tbody>
</table>

Host countries
The number of host countries into which the respondents send their assignees ranges from 9 to 80, with the lower quartile, median and upper quartile being as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower quartile</td>
<td>23</td>
</tr>
<tr>
<td>Median</td>
<td>34</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>60</td>
</tr>
</tbody>
</table>

The number of payrolls that support the assignee population
The survey also asked how many payrolls the respondents have supporting their assignee population. This ranges from 1 to 200, with the lower quartile, median and upper quartile being as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower quartile</td>
<td>13</td>
</tr>
<tr>
<td>Median</td>
<td>30</td>
</tr>
<tr>
<td>Upper quartile</td>
<td>60</td>
</tr>
</tbody>
</table>
Just over 40% report that the average length of a long-term assignment is three years.

**Separate short-term assignment policy**

Almost all respondents have a separate short-term assignment policy, which is important because short-term assignee compensation must be treated and reported differently to that of long-term assignees.
Global Compensation Services (GCS)

Compensation programs employed by global organizations are quite complex, with pay often delivered from multiple locations in a variety of ways. It is difficult for many organizations to accurately track and report global employees’ pay and benefits. The environment for compensation reporting involves an increasing level of risk, as more and more countries focus on payroll taxes as a source of additional revenue.

We provide comprehensive solutions to assist clients mitigating their risks associated with compensation reporting. Our team consists of human capital professionals with diverse backgrounds, including tax, human resources, payroll and technology.

We have developed processes and technology to accumulate global compensation depending on client needs and local compliance requirements. Benefits of our focused compensation accumulation process include:

- Managed risk and cost
- Improved assignee satisfaction
- Established controls and data security procedures

In addition, we offer a suite of advisory services to clients seeking consultative advice in the area of expatriate payroll without ongoing support. Specifically, our team specializes in the following advisory services:

- Gap analysis and process improvement
- Global payroll process mapping
- Local country payroll guides
Human Resource Performance Improvement (HRPI) Services

Today, there is increased pressure on HR departments to be more efficient by leveraging the organization’s talents, driving profitability and creating meaningful change - all amid budget cuts and hiring freezes. We help our clients develop and implement programs specifically designed around these areas of HR performance improvement, including:

- Payroll service delivery and sourcing
- Vendor selection
- Project implementation and management

About the Forum for Expatriate Management (FEM)

The Forum for Expatriate Management is both a virtual and real-time community of global mobility professionals from many of the world’s leading companies. Our membership profile includes senior HR professionals, global operations directors and executive leaders who have to manage the issues of international staff on a daily basis, plus selected service providers who bring expert advice, support and services to facilitate effective cross-border employment and living. The range of sectors covered is extensive, including pharmaceutical, finance, petrochemical, defense and retail. Their issues and requirements for information are universal.

Our members use the FEM website (www.totallyexpat.com) as an information and news portal, as well as to network with their fellow professionals worldwide.
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

In today’s increasingly regulated and competitive global business environment, an organization’s people are essential to sustain success. EY’s Human Capital Services’ holistic approach, across a broad continuum of services, and our responsive, high-performing teams provide the interconnected competencies and insight required to address broad business issues and minimize risk. With more than 7,000 HC professionals in over 140 countries, we advise many of the world’s largest employers – as well as those venturing abroad for the first time. Our exceptional client service helps manage HR compliance and risk. By focusing on the people agenda, an integral part of business strategy, we help our clients improve their business in the rapidly evolving and competitive global economy and realize sustainable economic growth.

© 2013 EYGM Limited.
All Rights Reserved.

EYG No. DL0862
1371684.indd (UK) 09/13. Artwork by Creative Services Group Design.
ED None

In line with EY’s commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com