Expatriation: Not all smooth sailing

October 7, 2011

The current economic crisis has forced companies and professionals to seek alternative business options outside of Spain and expatriation is increasingly being viewed as an obligation rather than a promotion opportunity.

Against the tough economic backdrop, more and more executives are looking beyond their own shores for opportunity. However, the growth of expatriation has not come without difficulties.

Indeed, for many, expatriation is now viewed as an obligation, as opposed to a promotion opportunity. Fearing the potential fallout from refusing an international assignment, many employees accept the transfer, despite not fully agreeing with the terms or knowing how their career will develop following repatriation.

While most expatriates still rate their experience as positive and a step toward promotion and professional development, concerns about their family situation and their eventual return are commonplace.

These are some of the conclusions from a report coauthored by IESE's Sandalio Gómez and Ignacio Contreras, based on a survey of around 500 expatriates.

A tough negotiation

More than a fifth of the survey's respondents worried about the potential negative consequences of refusing an expatriate post, while another two-fifths were unsure of the potential repercussions. Just 4 out of 10 were convinced that their decision would not negatively impact their career prospects.

The study shows that financial compensation is one of the primary motivations for accepting an expatriation assignment, since it generally entails a significant wage increase.

However, not all the expatriates were happy with the terms of their remuneration package. Indeed, remuneration is one of the main points of contention in the whole expatriation process.

For example, many of the expatriates highlighted the massive disparities between net and gross income resulting from the fiscal impact of their transfer.

While many companies do take this into consideration, 1 in 4 agreed remuneration packages based on gross wages. Around 10 percent of the expatriates were not even informed about the fiscal implications of their expatriation.

Advantages of expatriation

The financial terms are often enhanced through the expatriation allowance and company perks, which are offered on top of salary and bonuses.

Expatriation allowances compensate employees for their changing job positions and geographic mobility, and are determined according to the particular political, economic and health-care conditions of the country of relocation.

In addition, the employee often receives perks such as assistance with the costs of buying or renting a property, international health insurance, transportation of personal property, annual trips to their country of origin and a private vehicle.

In contrast, family-related benefits are often more limited. For example, only a third of the respondents received assistance with the costs of their children's schooling.

Returning home

The most contentious aspect of expatriation seems to be, ironically, that of repatriation. Although most of the professionals surveyed believe that expatriation should help them scale the company ranks, serious concerns remained about their future career prospects following their return to their country of origin.

Indeed, 1 in 3 of the expatriates surveyed did not receive clear information about their future role within the company after they had completed their international assignment.

The vast majority of practitioners consulted agreed that setting clear, realistic expectations about career progression and benefits after completion of the international mission should be an essential element of any expatriation process.

www.iese.edu/insight