

Components of International Compensation

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Components of International Compensation

- ▶ Base Salary
- ▶ Incentives/ Premiums
- ▶ Allowances

Basic pay

It includes three methods for setting basic Pay:

- ▶ **Parent Country Based Method:** In this method an expatriate will get same amount of money as compensation as he/she was receiving in their home country but condition is that they were performing the similar task in other country. On the other if they are learning foreign language skill to survive in other country they will get more.

Basic pay

It includes three methods for setting basic Pay:

- ▶ **Host Country Based Method:** All the Companies use several standard for determining basic pay, including marketing, pricing, job evaluation, techniques and job holder past relevant expatriate's basic pay will be competitive with other employee's basic pay in the host country.
- ▶ **Headquarter Based Method:** As per the headquarters method, it compensates all the employees as per the pay scale followed at headquarter location, skill are totally ignored in this method.

Incentive Compensation

- ▶ **Foreign Service Premium:** These are the financial payments beyond the regular basic pay. A company provides Foreign Service Premiums to encourage employees to accept expatriate assignment. This premium basically applied to the assignments that extent more than 1 year. It is calculated as a % of basic pay and the amount of this premium covers the range 10 to 30 percentage. The amount of premium increases with the length of assignment.

Incentive Compensation

- ▶ **Hardship Allowances:** This kind of allowance is given to the expatriate when he/she is ready to live and perform work in hard and tough working conditions such as:
 - ▶ Extraordinary working condition like as inadequate housing facility, lack of recreational facility, isolation, inadequate transportation facility, lack of food or consumer services.
 - ▶ Severe climate, high altitude and presence of dangerous conditions affecting physical and mental status
 - ▶ Unhealthy conditions such as diseases and epidemics, lack of public sanitation and inadequate health facilities

Incentive Compensation

- ▶ **Mobility Premium:** It provides to employees for encouraging them for accept, leave or change their job assignments. It helps to increase the movement of employee from one place to another for job assignments.

Allowances

HOUSING ALLOWANCE

- This allowance implies that employees should be entitled to receive accommodation that is equivalent to that provided for similar foreign employees .
- This allowances are often paid on either an assessed or an accrual basis.



Allowances

HOME LEAVE ALLOWANCE

- A period of annual leave taken by a staff member in order to visit their home country.



Allowances

OBJECTIVES

- To ensure that employees who live abroad for an extended period undergo reorientation and re-exposure .

IMPORTANCE

- To attract employees
- Employee satisfaction
- Productivity
- Time for Non-work related issues.



Allowances

EDUCATIONAL ALLOWANCES

- Providing allowance for expatriate's children .
- Problems:-
 - I. Level of education provided for
 - II. Adequacy of local schools & transportation in host country.



Allowances

RELOCATION ALLOWANCE

- This allowance cover usually covers the additional expenses of expatriates during relocation .
- It includes moving, shipping, storage cost etc..



Allowances

SPOUSE ASSISTANCE

- To help guard against or offset income lost by an expatriate's as a result of relocating abroad.
- Some firms may pay an allowance to make up for a spouse's lost income.
- MNC's generally pay allowances in order to encourage employees to take up international assignments.



Benefits

BENEFITS

- Pension plans.
- Medical coverage.
- Social security benefits.
- Vacations and special leave.
- Rest and rehabilitation leave.
- Emergency provisions.



ISSUES

- Pension plans are very difficult to deal with country-to-country.
- Transportability of benefits is difficult to normalize.
- Laws governing private benefits practices differ from country to country.
- Firm practices vary.



Benefits & Issues

