Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

Cornell HR Review

4-7-2010

Single-System Expatriate Compensation

Jonathan E. DeGraff
Cornell University

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/chrr

This Article is brought to you for free and open access by DigitalCommons@ILR. It has been accepted for inclusion in Cornell HR Review by an authorized administrator of DigitalCommons@ILR. For more information, please contact jdd10@cornell.edu.

Single-System Expatriate Compensation

Abstract
[Excerpt] Traveling from his office in The Hague, Netherlands, for the speaking engagement, Mr. Reiff discussed how the world's largest energy company compensates its more than 8,000 expatriate employees—a number second only to the U.S. Army—using a single compensation system.

Keywords
expatriate support, single-system expatriate compensation

Comments
Suggested Citation

DeGraff, J. E. (2010, April 7). Single-system expatriate compensation. *Cornell HR Review*. Retrieved [insert date] from Cornell University, ILR School site: http://digitalcommons.ilr.cornell.edu/chrr/11

Required Publisher Statement

Copyright by the Cornell HR Review. This article is reproduced here by special permission from the publisher. To view the original version of this article, and to see current articles, visit cornellhrreview.org.

This article is available at DigitalCommons@ILR: http://digitalcommons.ilr.cornell.edu/chrr/11

CORNELL HR REVIEW

SINGLE-SYSTEM EXPATRIATE COMPENSATION

Jonathan E. DeGraff

Paying for expatriate support is a necessary cost of doing business. And that cost becomes more and more difficult to control as expatriate assignments increase in number and geographic diversity. Yesterday, Michael G. Reiff, Executive Vice President of Remuneration & Benefits for Royal Dutch Shell, shed light on this predicament as a guest speaker at the ILR School in professor Lisa Nishii's class on comparative HR management.

Traveling from his office in The Hague, Netherlands, for the speaking engagement, Mr. Reiff discussed how the world's largest energy company compensates its more than 8,000 expatriate employees—a number second only to the U.S. Army—using a single compensation system.

The following are some of the policies and practices in Shell's expatriate compensation system:

- Increased location allowances are used to incentivize employees to work in hardship locations. Mr. Reiff said that many of Shell's positions in Exploration & Production are located in "God-forsaken" locales and require a salary premium in order to be filled.
- Expatriate salaries accommodate the same host living standards for everyone, in order to make expatriate salaries equitable relative to those of host-country employees.
- Home-country taxes are deducted from an expatriate's pay, while host-country taxes for the expatriate are paid by the company. Federal taxes for countries like the U.S. follow employees across the globe.
- U.S. employees working abroad receive payment via a U.S.-based Shell corporation, so that government benefits like Social Security continue to accrue.
- Expatriate perks like housing operate under the assumption that the employee is married with two children in order to simplify system administration and forecasting.
- Expatriates are required to maintain a residence in their home country, so that if an emergency evacuation from the host country arises, the affected employees have somewhere stable to go.

This system has yielded considerable cost savings for Shell, but expatriate assignments still cost the company roughly three times the amount of equivalent host-country positions. Mr. Reiff's overarching takeaway, therefore, was that in order to effectively manage expatriates, an equitable, global, and transparent system is needed. And as Shell

and other companies adopt and refine such a single-system approach to expatriate compensation, international assignments will yield greater success and profitability. ℵ

Jonathan E. DeGraff is a student at Cornell University, pursuing an MBA at the S.C. Johnson Graduate School of Management and an MILR at the School of Industrial & Labor Relations. He is also the founder and current president of the Cornell HR Review.