

Welcome to *Policy Matters*, an engaging and informative monthly e-newsletter featuring expert insight and analysis on emerging relocation products, policies and services that can provide immediate benefit to your organization.

R&R—A Strategic Tool to Help Maintain Assignee Morale in Challenging Locations

Topic: *This Issue of Policy Matters outlines best practices to establish an efficient framework for rest and recreation (R&R) programs for employees assigned to jobs in “hardship” locations, and outlines how companies can utilize R&R for recruiting and retaining assignees.*

Upon first learning of a potential international assignment, assignees may envision luxury accommodations, a car and driver, and other amenities they might not have in their home location. And the excitement for new opportunities can lead to high expectations for the destination. Although new experiences can serve as a valuable benefit of an international assignment, the assignees initial expectations can also set the stage for disappointment.

While working to integrate into more challenging locations, especially in developing countries or remote areas, assignees and their families may experience major differences and difficulties between their home and the new location—differences they did not anticipate and over which they have no control. For example, some locations can present adverse living conditions due to climate, language, culture changes, housing, utilities, socio-political tensions or lack of accommodations. It is difficult for assignees to have a complete understanding of these types of factors until they arrive in the new location.

Even in a business environment that stresses cost containment, it is essential to consider these challenges and their potential impact on the well-being of assignees and their families. Assignee morale must remain a top priority in order to avoid the stress-related conditions resulting from a prolonged stay in a remote location and/or separation from family and friends.

Assessing how to appropriately compensate assignees for balancing the adjustments of a challenging destination can be difficult for those managing the relocation. While assignees may be motivated by monetary compensation, many companies are now considering other forms of compensation.

One of the best ways to reduce the amount of stress on assignees and their families living in hardship locations is to implement a rest and recreation (R&R) benefit in your relocation policy. R&R provides periodic travel for eligible assignees as a reprieve from locations with challenging local conditions, and thus can be a powerful strategic tool for both recruiting and retaining assignees in these locations.

Factors to consider in constructing an R&R framework include:

- Assignment location
- R&R frequency
- R&R destinations
- Cost

Finding the Right R&R Frequency

A “hardship location” may be broadly defined as any location where difficult conditions justify a special allowance in compensation and/or other benefits, including R&R. The amount of this “hardship allowance” is based on the degree of inconvenience, danger or other difficulties a specific location presents, and it is typically expressed as a percentage of the employee’s base salary. It is essential that the employer communicate the rationale behind an employee’s specific hardship allowance.

ORC Worldwide (acquired by Mercer), an international human resources consulting firm specializing in expatriate compensation, publishes Location Evaluation Reports in partnership with the Control Risks Group. These reports assess locations by the following 14 factors in order to establish an overall rating for each location. This rating is referred to as a hardship percentage.

- Housing
- Climate and physical conditions
- Pollution
- Disease and sanitation
- Medical facilities
- Education facilities
- Infrastructure
- Political violence and repression
- Political and social environment
- Crime
- Communications
- Cultural and recreational facilities
- Availability of goods and services
- Physical remoteness

With these factors in mind, companies typically use one of two approaches in determining the amount of the hardship allowance: the home-based approach or the host-based approach.

With the home-based approach, the amount of hardship allowance is based on the degree of hardship between the home city and new host city. The more widely practiced host-based approach takes a “nationality neutral” position. With this approach, a predetermined hardship allowance is paid to assignees regardless of their origin location.

No matter which hardship-allowance approach a company chooses, SIRVA recommends that the frequency of R&R trips be directly linked to the assignee’s hardship percentage. The higher the hardship percentage, the more frequent the R&R trips should be. Based on SIRVA’s experience, the table below serves as a guide for determining the number of trips, based on the hardship percentage.

Hardship Percentages	Frequency of R&R Trips per Year
15%-20%	1
25%-35%	2
40%-50%	3

Source: SIRVA China Mobility Report, Vol.2, 2009

In the most difficult locations, those in which danger percentages apply, it is appropriate to provide an additional R&R trip per year. The U.S. State Department is the most common resource for determining danger percentages.

How R&R Destinations are Determined

In most cases, the company designates the R&R destination for the assignee or allows the assignee to choose from two or three pre-approved options. The standard duration for an R&R trip is three to five days plus travel time.

Companies typically choose the destination options based on the following:

- Assignee's origin location
- Closest city with developed infrastructure
- An easily accessible city (i.e., frequent flights to and from)

Some reasonable locations may be close geographically, but transportation availability may make it easier to travel farther. For example, for R&R travel from West Africa, it makes more sense to fly to Dubai than to Johannesburg.

R&R Entitlements and Budgeting: Examples from SIRVA's China Mobility Report

SIRVA's most recent research on assignments to China indicated the following R&R entitlements among the companies surveyed:

Location	Hardship Percentages	Frequency of R&R Trips Per Year	R&R Entitlements
Tier 1 — Major Cities <ul style="list-style-type: none"> ▪ Beijing ▪ Guangzhou ▪ Hong Kong ▪ Shanghai ▪ Shenzhen 	5%-25%	1	<ul style="list-style-type: none"> ▪ 5-7 days duration, inclusive of travel time within 9 hours of travel ▪ Travel and accommodation ▪ Total cost capped ▪ Linked to travel policy
Non Tier 1 — Smaller, more remote or less developed cities	15%-50%	2	<ul style="list-style-type: none"> ▪ 5-7 days duration, inclusive of travel time within 9 hours of travel ▪ Travel and accommodation ▪ Total cost capped ▪ Linked to travel policy

Source: SIRVA China Mobility Report, Vol.2, 2009

For more information on SIRVA's China Mobility Reports, visit <http://chinaindex.sirva.com/>

Benefits of a Best Practices R&R Framework

The benefits of a properly structured and implemented R&R framework include:

- An increased ability to manage costs
- Managing risk and compliance regarding potential visa implications, particularly when travelling to an R&R destination
- Equitable benefit provision
- A supportive working environment for the assignee
- Increased well-being of assignees and their families
- Increased likelihood of assignment success
- Achievement of company objectives

As companies continue to expand into more remote or less developed countries, it is important to manage cost and balance the competitiveness of policies without jeopardizing the ability to motivate and mobilize.

Despite demands for cost containment, it is an essential best practice for global policies to include R&R as a part of the assignment package and to view R&R as a strategic tool for maintaining employee morale and productivity in hardship locations.

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The foregoing is intended as general information only. SIRVA suggests that decisions as to your specific situation should be made only after full evaluation of your circumstances with your company leadership, tax and legal advisors, and HR personnel.

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