

## Local Plus Package Considerations

As companies continue to explore different compensation approaches and utilize multiple policies to manage their global workforces, local plus (also known as host plus) packages often seem like attractive alternatives to the home-based balance sheet approach for temporary assignees. They can also be used in the localization process. However, there are many factors to consider before implementing a local plus package.

In general, local plus packages are comprised of a local base salary and additional allowances (also known as plus components). The types of allowances may vary (e.g., housing, education, etc.), but all of them are intended to be top-ups or uplifts to the local rate of pay. This package structure has both potential benefits and potential drawbacks, some of which are listed below.

### Benefits of the Local Plus Approach

- The cost to the employer can be lower than with home-based approach
- The lower value of the package aligns well with the high value of the future career benefits for developmental assignments.
- The program may be simpler to administer, since allowances/plus components are not updated on a regular basis for exchange rate change or variables such as home and host inflation.
- The perception of equity between temporary assignees and local peer employees is enhanced.

### Drawbacks of the Local Plus Approach

- Significant differences in wages, taxes, and benefits mean that the approach is not advisable for all home/host combinations.
- The approach can be more expensive than the home-based balance sheet approach.
- Pension and benefits may not be portable; complex payroll solutions such as a shadow home payroll may be required to preserve these benefits for temporary assignees.

- Compensation may not be sufficient for all levels of employees (e.g., senior executives) or types of assignments (e.g., critical skills or strategic transfers).
- Assignees are not protected from exchange rate fluctuations, which may impact the transfer of funds home.
- Tax implications include:
  - United States nationals must continue to file US tax returns and in some circumstances may owe home as well as host taxes.
  - If an employee is expected to handle his or her own tax compliance and payments in the host location, the risk of non-compliance may increase.
  - The employee is not protected against significant host location tax or treaty changes.

Typically, local plus packages tend to work best when there is economic affinity between the home and host locations. Affinity can be evaluated on multiple levels, including wages, benefits, culture, economic development, and taxes.