

A practical introduction to global mobility

Glossary of compensation terms

Term	Definition
Balance Sheet <i>(Build up calculation)</i>	Compensation package whereby adjustments (both positive and negative) are made to the base salary, in order to replicate the home country spending power, mirror the home country tax position and in some circumstances incentivise to move abroad. In effect, to ensure the employee is certainly no worse off by undertaking the assignment than they would have been if they had remained in their home country.
Base Salary <i>(Gross base salary)</i>	The regular salary, excluding adjusted compensation; incentives; reimbursements etc. - paid on a regular basis - and used as the base for any compensation package.
Cost of living adjustment (COLA)	The adjustment designed to manage cost of living differentials between the Home and Host country.
Disturbance <i>(Relocation, Settling-in allowance)</i>	A one-off allowance, paid at the beginning of the assignment and designed to meet incidental costs incurred as a result of moving. Sometimes also paid on repatriation.
Education allowance	The amount the company is prepared to pay (either directly to an education establishment or directly to the employee) to meet school fees in the host (and/or sometimes home) country.
Foreign Service Premium <i>(Expatriate premium, Expatriate Bonus)</i>	A cash incentive to attract and maintain employees onto assignment, to recognise the disruption this can cause and can also be in recognition of the willingness to move countries. Often a percentage of base salary.
Home Housing Norm <i>(Housing contribution, Housing deduction)</i>	A deduction made from base salary, broadly equivalent to that which an assignee would typically spend on housing costs had they remained in the home country.

Home leave	The provision available to the assignee, in order to return to their original / home country. This usually takes the form of leave and flights. It may include car hire and sometimes accommodation provision.
Home spendable income	The amount a typical national or family spends on goods and services at home.
Housing allowance	Amount paid (either directly to landlord or directly to employee) by the company as a contribution towards the cost of renting a property in the host location.
Hypothetical home country tax	A home country tax calculation, made upon the base salary plus other agreed criteria - which replicates the tax position the employee would have incurred, had they remained in the home country.
Location allowance (<i>Hardship, country allowance</i>)	An allowance to recognise, encourage and compensate for difficult or extreme living conditions (e.g. climate, isolation, danger, health risks etc.). Often a percentage of base salary.
Negative index	Where the host country index is lower than the home country - thereby indicating that the cost of goods and services in the host country is cheaper.
Rest and recuperation (<i>"R&R"</i>)	Additional leave, and provisions (e.g. flights) provided to employees who are assigned to "hardship" locations. R&R may be offered to the home /original country or to a relevant country near to the assignment base.