

A continent on the move

Global mobility in Africa



A survey of how companies are managing the challenges posed by international assignments in Africa

February 2014



www.pwc.co.za/en/tax/international-assignments.jhtml



Foreword

Welcome to the results of our first Global Mobility in Africa survey. As business interests across Africa increase so does the need to have the right people, in the right place at the right time. Africa offers unique challenges when relocating individuals and with this survey we sought to gain insight into how companies operating in Africa are managing these challenges.

The majority of companies surveyed suggest that the number of people they will send on international assignments is expected to increase. As reflected in PwC's 17th Global CEO Survey 2014, one of the greatest concerns for these companies is the ability to attract and retain expatriates in the locations they require.

As more multinational companies expand across the African continent, competition for talent will intensify. Businesses need to be more aware of what their competitors are doing and offering, they need to be attuned to the satisfaction of their assignees and they need to be well informed about best practice in order to remain competitive in the 'war for talent'.

Other high-scoring concerns include the safety and security of employees and regulatory restrictions. Although the level of difficulty in dealing with these varies for each location, a carefully considered and well integrated global mobility programme will be able to minimise risks to both the individual and the company.

The importance of mobility to business growth has increased substantially in recent years. This, as well as our subsequent surveys, will provide some guidance and insight into how companies can better navigate the challenges of mobility in Africa.

We thank all our participants for taking the time to complete the survey and providing valuable contributions.

We hope you will find this report useful and informative. Please contact us if you have any feedback or comments, or if you wish to discuss any of these topics further.

Alan Seccombe

Partner – Human Resource Services



About the survey

This survey was initiated by PwC South Africa's Global Mobility Consulting team, which assists clients with setting up, managing and improving their global mobility programmes.

This team works alongside our international assignment tax, immigration and HR consulting teams. We are part of a global network of PwC professionals providing global mobility services to a range of clients worldwide. Our experience in the field allows us to provide you with additional analysis and interesting insights.

Methodology

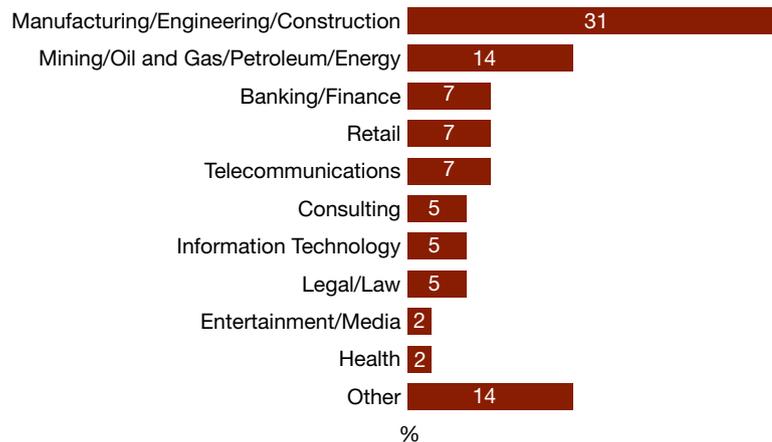
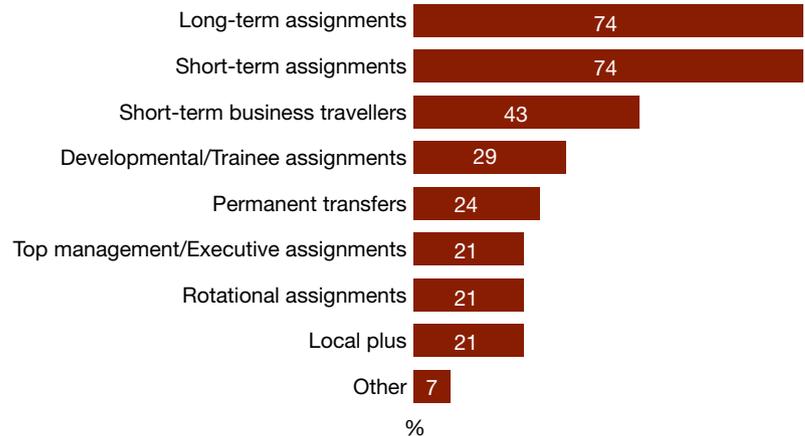
Invitations to participate in an anonymous survey were sent to companies with operations in Africa. A total of 42 respondents completed the survey, which was made up of questions concerning global mobility administration, policies, practice and demographics. Many questions were further broken down into assignment types. As not all companies share the same types of assignments, the response rates vary according to their type.

The following graphs shows the types of assignments adopted by respondents of the survey.

Companies are still very focused on long and short-term assignments with other options being kept to a minimum. This is consistent with what we are seeing around the globe.

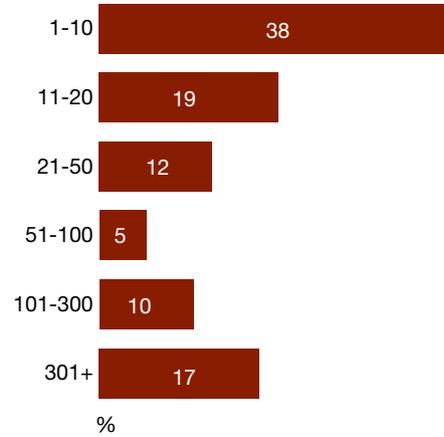
Participating companies represented a variety of mobility programmes of various sizes and from a wide variety of industries.

A wide variety of industries were represented in the survey. 'Other' included agriculture, waste Management, insurance and general industry.



According to PwC's 17th Global CEO Survey released in 2014, 65% of African CEOs feel that new geographic markets are key to their business growth in the next 12 months. This should trigger steady increases in the number of expatriates relocating into, out of and around Africa.

Our survey represented mobility programmes of varying sizes but showed that many companies are keeping numbers low, as seen in the adjacent graph showing the number of expatriates managed by respondent companies.



Executive summary

As business rapidly becomes borderless, so does the global workforce. Steady growth and international investment in many African countries is creating a huge increase in the need for skilled talent. Skills shortages in certain markets and locations are requiring more employees to work outside their home country than ever before.

The aim of this report is to provide an overview of the key findings of our mobility survey and to give you some insights into how mobility is being managed in Africa. We highlight some of the challenges faced by companies relocating people around Africa and suggest some innovative and modern solutions.

Every business is different and there is no 'one-size-fits-all' model for global mobility. This report and our survey results provide insight into how some companies are approaching their mobility in a notoriously difficult region.

Survey questions sought to explore:

- What are the general benefits provided to assignees;
- How are assignment costs and risks managed;
- What remuneration structures are in place;
- Attraction, retention and talent management strategies; and
- The future of global mobility in Africa.

In this report we explore some of the more interesting and pertinent findings of the survey. These topics include:

- **The purpose and priority of global mobility** – how the focus on mobility has increased in response to business demands. What is most important to companies when it comes to mobility?
- **Flexibility** – this global trend is becoming increasingly popular with large multinationals around the world. What are the benefits to the individual and the company?
- **Talent management** – increased focus on talent management as a tool to achieving wider business success can be further enhanced by incorporating global mobility strategies within the company's talent strategies.
- **Preparing assignees for Africa** – adequate preparation of any assignee is often the difference between the success or failure of an assignment. However, are additional measures required in Africa?
- **Management of tax and immigration risk** – compliance with tax and immigration laws is often complex, but is critical to avoid unexpected costs, delays and reputation risk. Given each country's law is different, are companies taking advantage of specialist service providers?

Demographic changes and talent shortages have required businesses to consider mobility as a critical tool in achieving both the long- and short-term goals of the company. However, branching into more challenging locations causes us to consider more diverse and unique approaches to mobility.



Purpose and priority

88% of companies say that the importance of global mobility has increased

The necessity of companies to compete on a global scale means they are now more focused on the movement of talent to achieve these goals. This is reflected in our findings with 88% of companies saying that the importance of global mobility has increased for them in the past three years.

So what exactly is driving this increased focus?

The most commonly ranked objectives for mobility include:

- The transfer of knowledge/expertise;
- Corporate culture and values; and
- The ability to service client needs.

Rapid development in Africa coupled with crippling skills shortages on the continent are factors contributing to companies setting these objectives. The disconnect between the immediate business requirements for skilled labour and the time it will take to train and develop a sufficient portion of a local workforce means that the rapid deployment of skilled labour will grow in importance for any business expanding into Africa.

In addition to ranking the objectives of their companies' global mobility programme, respondents were also asked to rank what is most important with regards to mobility generally. Respondents' top three choices were transfer of knowledge, ability to help grow business in new locations and talent management.

Success on this continent will rely on these three factors. At the same time, immigration regulations for foreign workers are becoming stricter as governments try to improve local employment levels.

Many countries now require evidence that any expatriate working for a company in their country is transferring knowledge to the local workforce. This requires more effort on the part of businesses to ensure that individuals are not only performing their role, but developing locals in order to make the company less reliant on foreign workers.

The existence of foreign national quotas in certain countries where there is a dire shortage of skills is delaying the deployment of skilled foreign resource in country and as a result, delaying the development of the country's economy. According to PwC's 17th Global CEO Survey, the availability of key skills is the greatest challenge for CEOs in Africa, with 91% saying they are concerned. This is much higher than the 63% of CEOs globally that have the same concern. And with 93% of CEOs making some or major changes to their strategies for managing talent, we expect there to be a stronger focus beyond just the local talent pool.

Just over half the companies that participated in this survey consider mobility to be either crucial for the development of their company or a high priority for them. PwC's 'Talent mobility: 2020 and beyond' report predicts a 50% growth in mobile employees by 2020, suggesting that the importance of mobility within all growing companies will continue to climb.



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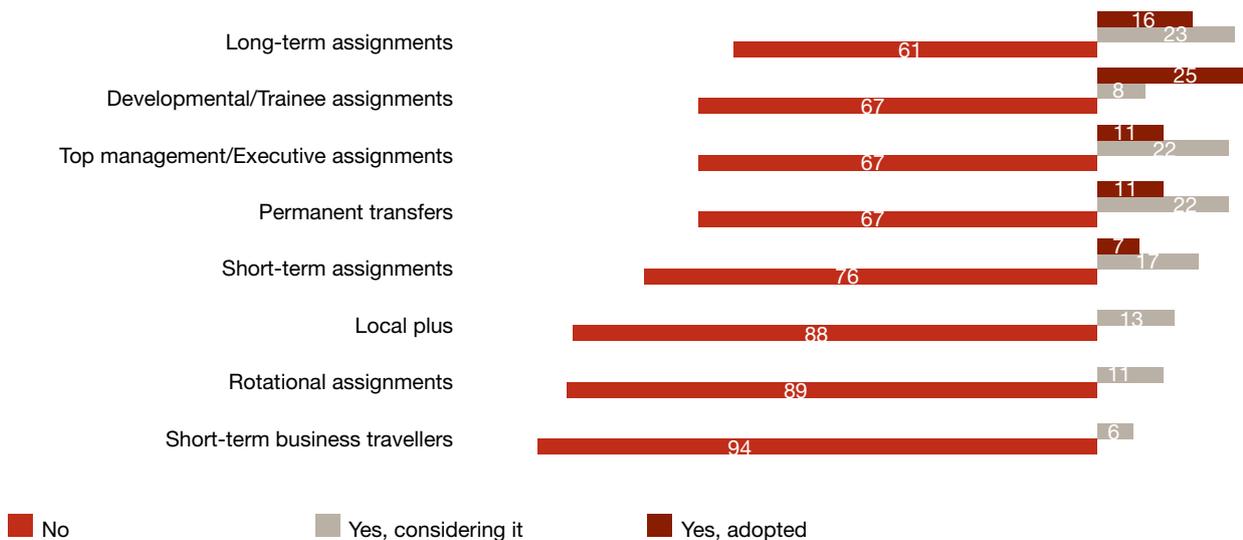
Flexibility

Assignee demographics are changing rapidly and millennials will soon make up 50% of the workforce. Given the variety of personal circumstances and challenges that individuals bring to an international assignment, it is no longer possible to predict what each assignee will require or desire in their mobility package.

In response to this, companies around the world are introducing greater flexibility into their global mobility policies. Some of the benefits to these companies include cost savings (or neutrality), reduction of administration associated with policy exceptions, being recognised as a market leader and increased satisfaction of assignees.

Despite the benefits, companies remain cautious with the majority of respondents to our survey stating that they have not adopted or are not considering adopting flexible policies.

Companies remain cautious about adopting a flexible benefits approach



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declaration must
be completed
prior to check-in



Remplir la
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l'enregistrement



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Talent management strategy

Human resources (HR) functions are confronted with numerous challenges in today's world. These include changing workforce demographics, skills shortages, aggressive recruitment strategies, increased regulations and limited employee loyalty.

It is crucial that HR departments are equipped and prepared for increased challenges and complexities, as effective talent management will be key to companies' sustainability and success. This is reflected in the findings of PwC's 17th Global CEO Survey of CEOs in Africa, where 91% said they are making changes to their strategies for managing talent.

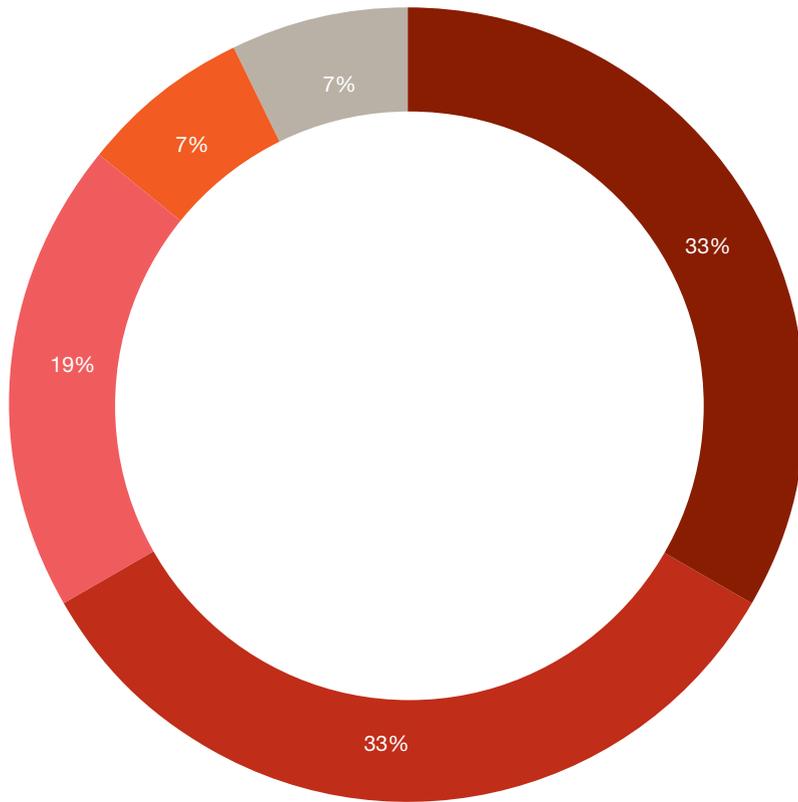
The need for global knowledge and experience has become one of the differentiating factors among key talent in the workforce. Of respondents to our survey, 85% rated international assignments as either 'very important', 'important' or having 'some importance' in developing high-potential talent.

The shift from top-level executive assignments to management and staff has begun and this is partially because it is much more cost effective to send lower-level employees, the developmental opportunities for the individual are high and this age group are more willing to relocate overseas. We believe companies that focus their mobility strategies on development of talent and business growth will see great benefits in the short and long term.

85% *rated international assignments as either 'very important', 'important' or having 'some importance' in developing high-potential talent*

It is more important than ever that companies align their mobility, global resourcing and talent management strategies with wider business strategy. The most successful companies will be those that can meet their business objectives by having the right people in the right place at the right time and this will only be able to be achieved through the execution of a coordinated and carefully constructed strategy.

Most companies recognise the importance of international assignment to developing high-potential talent.



Yes, very important
Yes, important

Yes, it has some importance
No, we do not track high-potential talent

No, it is not a factor in their development

Preparing an assignee for Africa

In PwC's 17th Global CEO Survey, 85% of African CEOs are concerned about bribery and corruption compared to 53% globally. This highlights the very different challenges an assignee may face while on assignment in Africa.

On a continent with 54 incredibly diverse countries, it is difficult to ensure that your employees are prepared for all eventualities. Considered preparation for an assignment in Africa is crucial to achieving optimum return on your investment.

Based on our survey results, pre-assignment visits and cultural training are common for longer or permanent assignments. However, these are not commonly provided for shorter assignments.

While these preparations may be considered 'nice to haves' for most locations around the world, they can be the difference between success and failure in many of the challenging locations in Africa.

The necessity for a short-term assignment often arises due to an urgent but brief need in the host location. The risk of not preparing an assignee for the cultural and environmental realities of their destination is that they will not be able or willing to function to their full potential.

Culture shock can lead to the loss of productivity and revenue if not addressed correctly. If an assignee has only limited time in which to achieve their objectives, but they struggle to adapt on arrival, the company risks financial loss and assignment failure.

For the more culturally difficult locations in Africa, cultural training or access to support services is essential



Management of tax and immigration risk

The majority of companies outsource immigration (60%) to third-party service providers, while 67% reported that internal admin staff assisted with the work permit process.

Immigration in Africa is complex and often full of uncertainty in terms of application of the laws and time-frames. It is an area fraught with attempted bribery and widespread corruption. However, failure to have the correct permits to work in a country can result in imprisonment/deportation of employees and cancellation of business licenses for the employer. The stakes are therefore high, and getting it wrong, for whatever reason, can have severe ramifications.

In the recent past, applications for visas and work permits were often prepared in-house. However, the survey results support the view that companies are seeking to engage specialist immigration service providers to manage their immigration compliance.

As pressure from governments mount to increase the level of local employees, we expect to see continued increase in the use of specialist in country immigration service providers.

A much greater proportion of companies (74%) use external service providers to provide tax services to their expatriate employees. Just over 20% provide that service in house. Tax compliance in Africa can also be complex, for example, there can be an obligation for the home country employer to account for payroll tax in the host country. The tax laws in many African countries have been undergoing significant reform, and the use of external service providers in country helps significantly to keep abreast of the changes and to remain compliant.

A high percentage of companies (86%) use their internal Human Resource staff to prepare employment/secondment contracts.

Employment/secondment contracts are the most important document in support of visa/work permit applications and may need to be disclosed as part of tax compliance processes. Such contracts may also need to be compliant with labour laws in the host country.

Compliance with immigration, tax and employment legislation is complex.

The often uncertain application of the legislation and a high level of bureaucracy and corruption mean that assignees and their employers need to take extra care to ensure compliance. The assistance of in country service providers to keep the company up to date with legislation changes and to assist with the work permit applications and tax filings is considered best practice.



A quick comparison: Africa vs global findings

With offices in 157 countries, PwC's global network has global mobility specialists located across the world. This gives us a unique position to present global understanding and local insights into mobility issues.

PwC's Survey of Global Mobility Policies, released in 2012, represents 441 participating companies from around the globe. The survey explores expatriate policies in great detail and provides companies with a platform for benchmarking their short- and long-term policies.

Some of the questions posed in our Global mobility in Africa survey are similar to those in the global survey and we have performed a comparison of areas in which the findings contrast significantly:

- **Rotational assignments**

This type of assignment seems to be used significantly more often in Africa, with 21% of companies surveyed in the African survey saying they had some form of rotational assignment compared to only 9% globally. This is most likely due to the high number of 'hardship' locations and remote job sites in the region.

- **Short-term assignments**

Compared to the rest of the globe, it seems that in Africa, companies are providing fewer support services to short-term assignees. Cultural training is not provided in 48% of cases in the African survey and only 32% of cases globally. Language training is not provided in 59% of short-term assignments in Africa compared to 24% globally.

- **Housing allowances**

The majority of global companies surveyed provide a fixed allowance towards the costs of housing in the host location, while in Africa most companies provide company owned/ leased housing. This can be explained by the significant lack of appropriate housing in some regions of Africa. Appropriate housing in Africa is not only difficult to find, but often exorbitantly priced, and therefore most companies find it necessary to source housing on behalf of the assignee.

- **Remuneration approach**

While companies responding to our African survey prefer a headquartered approach to remuneration, globally companies are mostly using a home-based approach. Home and host-based approaches can sometimes be tricky in Africa since the economies and exchange rates in some countries are not stable.

- **Increases in expatriate populations**

Of the regions we listed in our Global mobility Africa survey, 36% of companies predicted an increase of expatriates in Southern Africa, while only 20% of companies globally predicted the same. Globally 30% of companies will send more people to the Middle East and North Africa while only 7% of companies in the African survey plan to do the same.



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