

Workforce Migration: Expatriate Returnees and Global Human Resource Strategies

Background Notes to a Presentation
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Relocating the returnee: simple, or simplistic?

Part One: The Concept

Last month, a global consulting firm based in the United States announced that it would double the number of professionals it employs – growing by 600 employees – in one of its offices in Asia. It will be interesting to see how the firm sources these additional employees, as there is now a much wider range of choices than has been on offer historically. This contemporary framework includes not only the traditional expats and locals, but also the relatively new hybrid of the returnee: a person of local origin who has extensive work experience outside of the local market.

While the emergence of the returnee as a potential source of relocatees is generally framed in a “between-nations” context, it is increasingly observed within very large national markets; similarly, although generally framed in a “from North America to Asia” context, it is also occurring in EU-to-Asia and Western EU-to-Eastern EU contexts.

The potential of considering returnees as a source of relocatees is shaped by three factors. The first is the on-going expansion of the emergent market economies of Asia and the Eastern EU as they continue to integrate into the global trading system. The second is the potentially significant domestic demand in these emergent regions, something that is attracting increasing attention from both domestic firms and firms based in the established market countries. The third is the large stock of potential returnees currently living in established market economies.

Having noted this potential, it is essential to also note that it comes with its own unique relocation complexities. Superficially, this may be seen as a no-brainer, as it may be presumed that potential returnees will not have to contend with culture shock or the local learning curve, or that they will not cost as much to relocate and accommodate as culturally-different expats. Upon deeper consideration, however, such plug-and-play relocation, which may occur in the very best of circumstances, is unlikely to be the common experience, as relocation is inevitably much more complex than initially anticipated.

At the most basic level, it will be essential to understand why the employee moved to the established economy in the first place. For those who framed the original move purely within a career context, the return may be seen as a logical step in a long-term plan. However, unless such a move is clearly seen by the employee, the employer, peers, and family as a professional advancement and not as a marginalization or a sign of failure to succeed, it is likely to be resisted. For those whose original move was for more

personal reasons, particularly those centered around ensuring greater opportunity and security for children, return may simply not be an option.

Regardless of the career plans of the potential returnee, their families—and particularly their children—may have much different reactions: some may be unusually hostile as the move may be seen not as a life adventure but rather as a loss of the new home and life that had been difficult to attain. In the extreme, the tension between personal life and the career may lead to the “astronaut returnee” situation: an employee working back in their country of origin with their family remaining in the adopted country.

Additionally, the returnee may well be faced with differential treatment by the community that they left many years before, and both the returnee and the community may well have dramatically changed during the intervening years. The returnee may receive a frosty reception—particularly if they have moved up in corporate status while they were away—while an expat from elsewhere would be warmly welcomed. Further, the returnee may have become accustomed to a social status in the adopted country that they will not be accorded back home. Such situations result in not only cultural shock, but expectations shock as well. In a similar vein, the family of the returnee may be subjected to discrimination, especially children who do not have street fluency in the local culture but look like they should.

For a wide range of reasons, therefore, regardless of the eagerness of the potential returnees and their families, an employer contemplating the returnee option for staffing cannot presume that they will have any less need for relocation support than the traditional expat relocatee: the specifics will be unique, but the general requirement will be there.

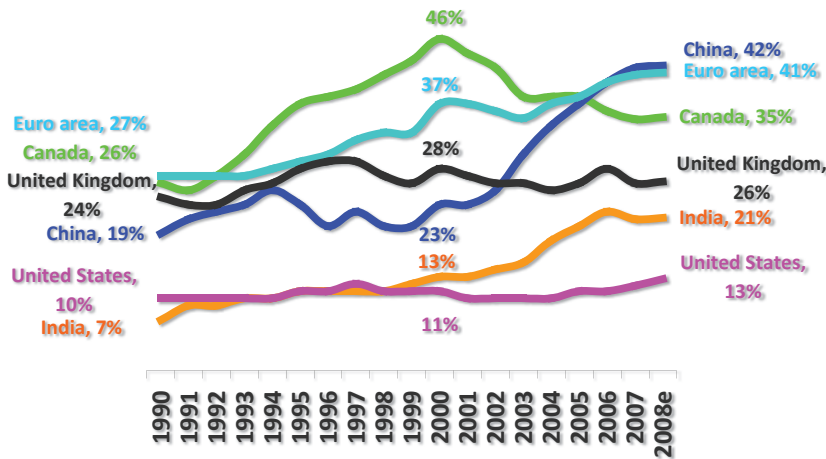
There is a further dimension to employee relocation that, while modest in scale, may be of particular interest to employers. This involves the second generation—the widely- and diversely-rooted children, now adults, who grew up and were educated in the diverse cultural contexts shaped by their parents’ relocations. There are two groups to be considered in this context. The first group includes those whose parents moved from emerging market countries and grew up in established market countries; these young adults are now pursuing their careers in their homeland (the established market economies), but many maintain deep connection to their parents’ homeland. The second group is the children of people from established market areas whose parents were relocatees in emerging market countries; while now working in the established market country, these people maintain a personal connection to the countries where they spent much of their youth. This second generation may well offer a unique human resource, as these are people who have grown up adapting, thereby having developed a specialized skill set that may be of particular value in markets undergoing significant internal change.

Part Two: Measuring the Potential of Returnee Relocation

A review of economic and demographic data for various countries serves to outline the general context in which the potential for returnee relocation will be determined. In these background notes, a selected few countries will be used as examples of the general concepts under consideration. China and India are considered as examples of emerging market economies, with Canada and the United States of America representing North America, and the United Kingdom, Germany and the Euro Area representing the European context.

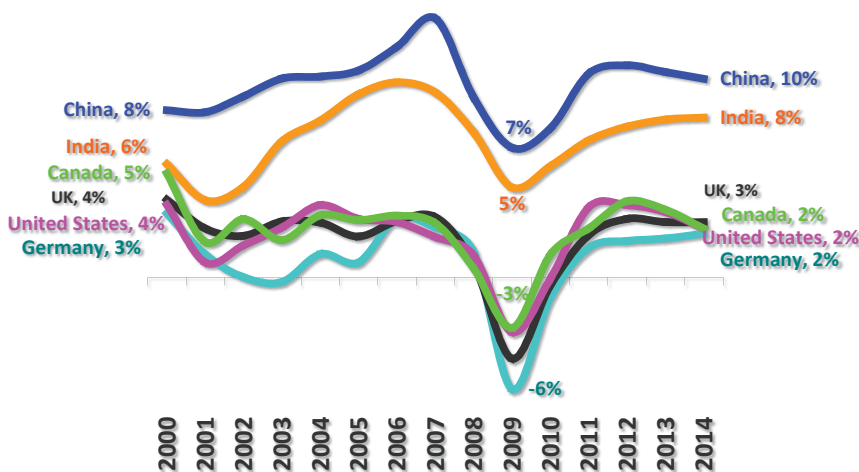
The ongoing engagement of emerging market economies in the global economy is best indicated by the rapidly-growing role that exporting has played in economic growth during this decade (Figure 1). Since 2000, exports as a percentage of both China’s and India’s Gross Domestic Product (GDP) have almost doubled (from 23 percent to 42 percent, and 13 percent to 21 percent, respectively), while they have increased only modestly for the Euro Area and the United States, and have declined for Canada and the

Figure 1
Exports as a Percentage of GDP, 1990 - 2008



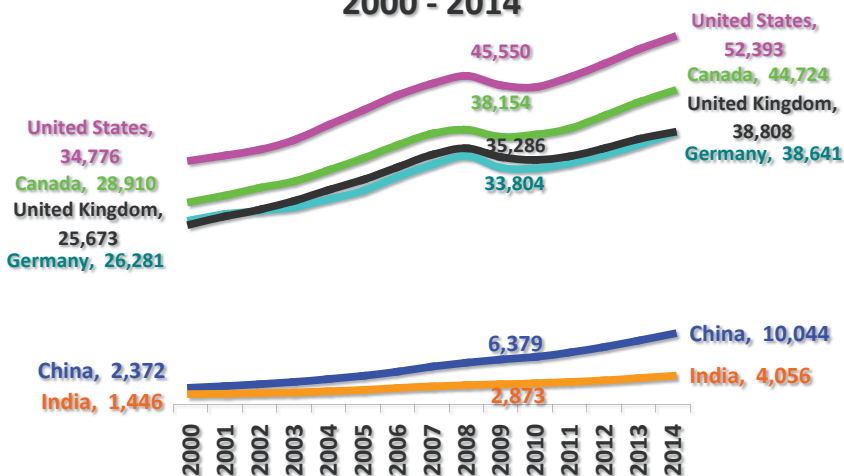
Source: World Bank, Statistics Canada, BEA

Figure 2
Growth in Real GDP, 2000 - 2014



Source: IMF

Figure 3
GDP per Capita at Purchasing Power Parity, 2000 - 2014



Source: IMF - Measured in International Dollars

United Kingdom.

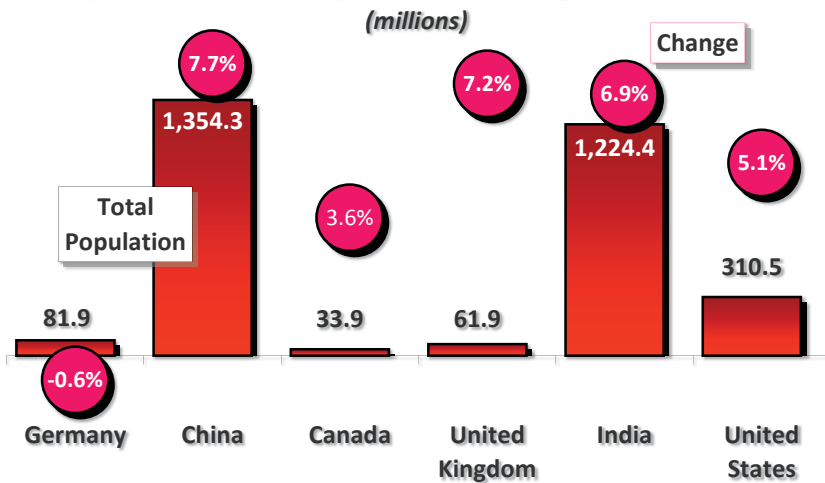
The relative economic prospects for counties is clearly shown in the IMF projections for economic growth (Figure 2), with China's economy projected to grow in the ten percent per year range, and India's in the eight percent per year range, between 2011 and 2014. This compares with the 2.2 to 2.8 percent per year growth anticipated for the established market economies over the same period.

While the core of this growth differential will be export-led, domestic demand will continue to increase its relative role in the expansion of these economies. The potential of domestic markets to support economic growth is indicated by a number of measures. A first measure of this potential is the level of GDP in the country, measured in terms of the relative prices and incomes within the country (GDP measured in purchasing power parity in international dollars, GDP-PPP). This measure of GDP is considered to be a good indication of relative living standards, with the per capita measure particularly useful as it removes the influence of population growth on aggregate GDP.

In China, between 2000 and 2009, per capita GDP-PPP increased by 129 percent, with an increase of 100 percent in India; these increases compare to growth of 30 percent in the established market economies (Figure 3). Increases at roughly the same annual rates are projected for the next five years, bringing India and China closer to their major trading partners. More significant than internal growth is the fact that the gap in per capita GDP-PPP between these countries and the established market economies has narrowed considerably, something that is projected to continue: in 2000 per capita GDP-PPP in China was only seven percent of that of the United States; by 2009 it had risen to 14 percent, and it is projected to be 19 percent by 2014. It is also important to note that significant distributional changes occurred within these averages, as evidenced by the estimate that 400 million people in China have moved out of extreme

Figure 4

Population and Population Change, 2009 - 2014



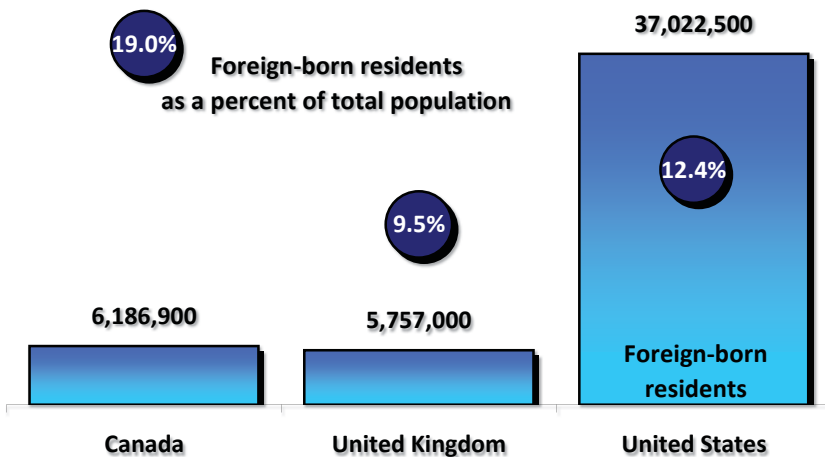
Source: IMF

poverty over the past ten years.

A second measure of the potential of domestic markets is the size and growth of populations, something that will compound the impact of improving living standards (Figure 4). With 1.3 billion people in China and 1.2 billion in India, they are world's two largest national markets; over the next five years China will add one hundred million people and India 84 million, both growing in the range of seven to eight percent. While some established market economies are also projected to experience population growth rates in this range (for example the United Kingdom), most will be growing more slowly (as exemplified by the four to five percent growth range for Canada and the United States) and some (such as Germany) experiencing population declines.

Figure 5

2006 Foreign-Born Population

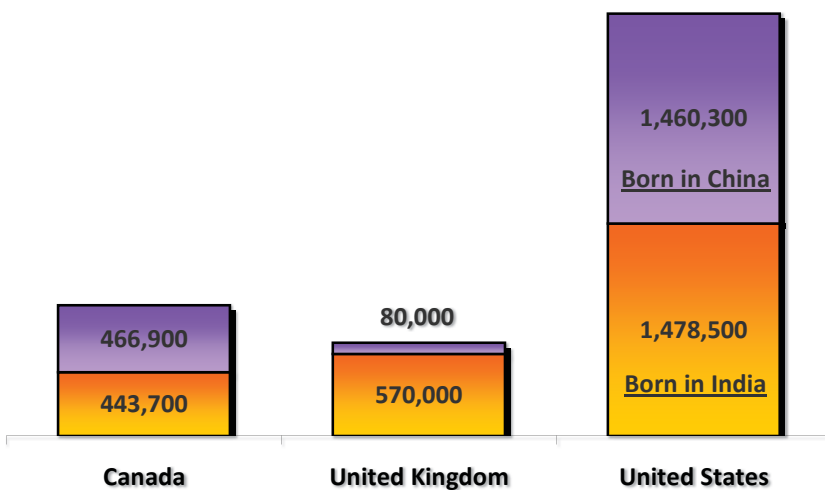


Source: OECD

The opportunity to bridge the economic growth of emerging market economies with returnee relocation is indicated by the large number of foreign-born residents in the established market economy countries (Figure 5). In 2006, there were 37 million people living in the United States who had been born in other countries and subsequently relocated, accounting for one out of every eight people (12 percent of the country's population). In Canada the foreign-born population, while absolutely smaller at six million residents, accounted for a much larger one in five share of the population. In the United Kingdom, both the number and the share were smaller, in the range one in ten of the country's population – but 5.6 million foreign-born residents still represents a pretty big opportunity.

Figure 6

2006 Foreign-Born Population



Source: OECD

With specific reference to the examples of emerging market economies, there were 466,900 people in Canada who were born in China, with 80,000 peers in the United Kingdom and 1.46 million in the United States in 2006 (Figure 6). The corresponding figures for people born in India and resident in these countries are 443,700 people living in Canada, 570,000 living in the United Kingdom, and 1.47 million living in the United States.

These people—and their children native to their parent’s adoptive country—offer a great potential for global human resources management and relocation. The employer’s challenge is to determine the most effective strategies to realize the benefits of this potential.

Part Three: From the General to the Specific

Such data are useful in outlining the general demand and supply factors that will form the context for relocation, both traditional and contemporary (i.e. relocating the returnee). However, they represent the view from 30,000 feet—interesting but not of much practical use—as reality happens on the ground. In terms of supply and demand, each organization will have to assess its specific circumstances to determine the degree to which returnee relocation will assist it in its global human resources strategies. Further, the complexity and diversity of issues and people involved in relocation means that in order to understand successful returnee relocation it is necessary to turn to the life experience of firms who have been involved in such relocations, something our panelists are uniquely qualified to do.