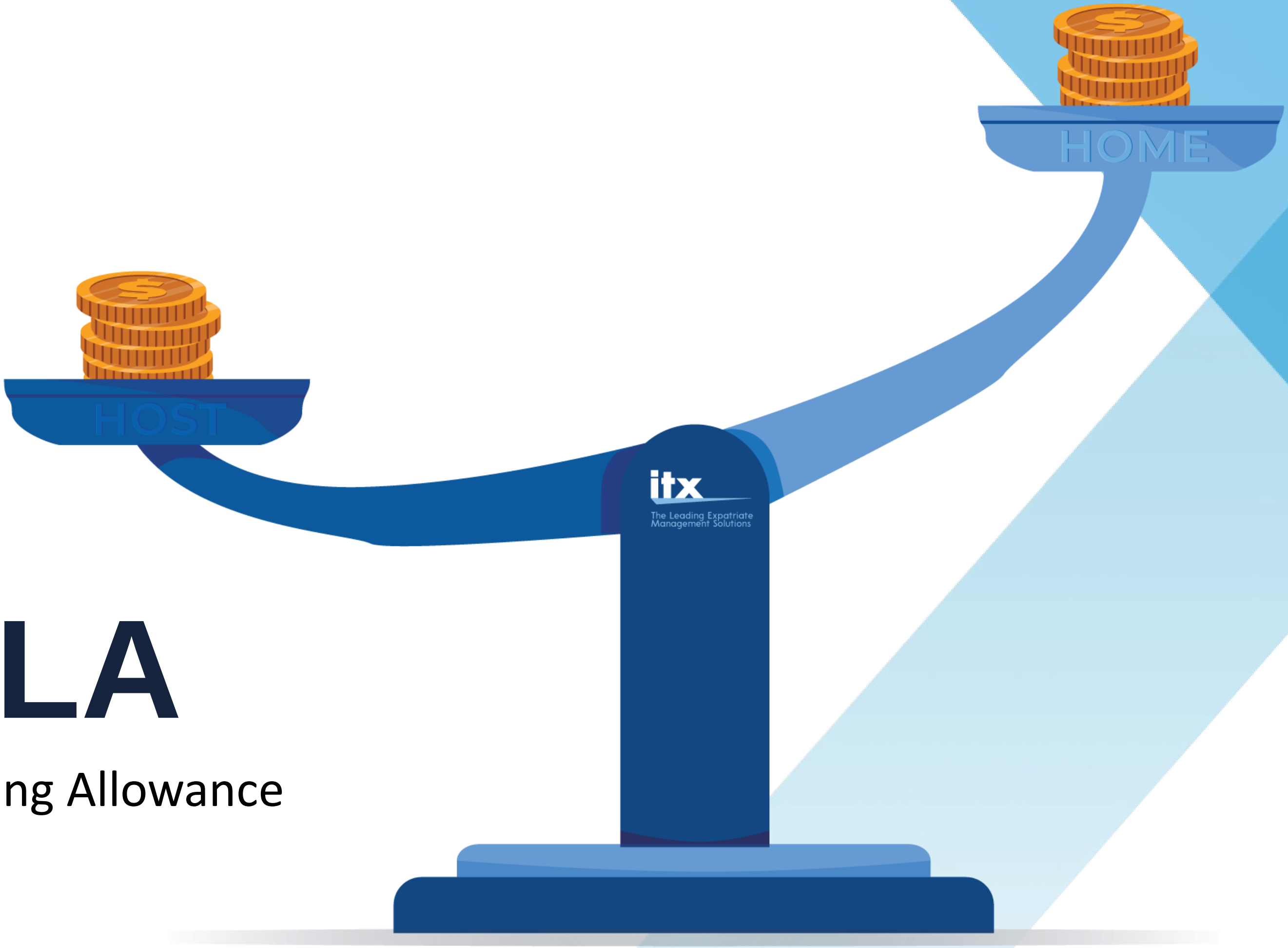
The Leading Expatriate
Management Solutions



COLA

Cost of living Allowance

COLA

There are different approaches in the calculation of Cost of Living Allowance for the Global Employment Companies :

The Home / Host approach

This is the most common approach whereby the cost-of-living index is calculated based on the country of origin relative to the country of assignment.

A GEC's country / Host approach

The cost-of-living index is calculated from GEC's country in relation to the country of assignment.

This alternative approach is easier to manage but also more difficult to understand for the expatriates. This approach applies when the reference country stays the same for all elements of the compensation package (tax, social contributions, allowances…).

COLA

How to calculate the COLA?

COLA COMPUTATION

% of the index

host country

X

Spendable income

= **COLA**

ITX can help you implement the payment of a COLA according to your needs.

- **Index** provided by an external provider based on the price of a defined basket of "Goods and Services" and the exchange rate (between home currency/host currency).
- **Spendable income** = part of the reference salary spent on the defined basket of goods & services, which depends on the reference salary and family size during the assignment.

COLA

Some statistics based on a sample of 20 companies surveyed:

- Among all companies, a majority (76%) provide a COLA.
- The majority of companies doesn’t apply a negative Cost of living index. In theory, negative COLA should be deducted to ensure all employees are equally treated.
- Most companies calculate the COLA on a portion of the spendable income determined as a function of the base salary and family size during the assignment.
- The bonus is often excluded from the COLA calculation, and there are two companies that introduced a capped home base salary for calculating spendable income.
- All companies included in the survey update the index once a year, except for one company that updates it every quarter for specific countries (countries with high inflation and exchange rate fluctuations)