HARVARD
Global Support Services

International HR Terms

Below are some of the most commonly used HR terms specific to international assignments. The full term is in **bold**, followed by other versions or abbreviations within (parentheses).

See the Harvard University International Human Resources Guidelines for additional information about these terms (access limited to those in human resources roles).

Cost of Living Adjustments (COLA) – is a set of allowances granted to expatriate employees to help offset the cost of deployment in an expensive location overseas. In some cases a flat rate as a percentage of base salary is used, based on U.S. State Department rates, but this can be negotiated on gift-funded programming.

Currency Fluctuation – if local currency devalues more than five percent in a given year due to inflation or exchange rates – therefore seriously compromising the purchasing parity of the employee – program management should review the situation. This could be offset by either increases to annual salary, or by a one-time **Currency Shortfall Payment**. Consult Global Support Services for more information or assistance in properly resolving these issues.

Expatriate (expat) - is an individual temporarily or permanently living in a country and culture other than where she/he was brought up. In Harvard terms, this strictly refers to U.S. citizens or permanent residents working abroad on international programs.

Foreign Corrupt Practices Act (FCPA) – is a law enforced by the Securities and Exchange Commission/Department of Justice which dictates that no employee or individual working on behalf of Harvard is permitted to provide anything of value to foreign officials in order to garner a preferred business environment for the University. Definitions of both "value" and "foreign official" are extremely broad and penalties for non-compliance severe. Review the Rules to Keep in Mind When Conducting University Business Overseas, available from Harvard's Office of General Counsel.

Foreign National (host country national, local hires, locals) – are staff who are hired within their home country to work on an initiative in that location. These individuals will generally be granted fringe benefits customary with local practice, but not any additional allowances. Typically salaries are based on local salary tables rather than Harvard systems.

Home-based – relating to the country of origin for an employee (generally the U.S.) and most commonly used in terms of benefit or compensation packages.

Host-based – relating to the country of assignment, and most commonly referenced in benefit or compensation packages.

Permanent Establishment (PE) – refers to a fixed place of business, and can be triggered by a variety of actions, including hiring of staff, leasing office or other real estate space, creation of a bank account, sale of products or services, or others. Once classified as permanently established in a given location, Harvard could in some cases become liable for income or value added taxes including – in the worst-case scenario – a tax on global income (Harvard endowment). In less serious cases, there may be other operational fees or regulations triggered by PE.

Post Differential Hardship (post-diff, hardship premium) – is a percentage of base salary granted to expat employees working in exceptionally difficult locations, and again is generally based on U.S. State Department rates. Post-diff does not take effect until the forty-third day at a new post in nearly all federally funded programs.

Professional Employer Organization (PEO) - is a company through which Harvard can engage employees abroad while limiting exposure to permanent establishment or other regulatory risks. The PEO becomes the employer of record for tax and insurance purposes, and manages tasks such as payroll, benefits, risk/safety, and other issues. However, the actual work conducted generally includes formal or informal reporting lines to Harvard to ensure monitoring and performance of tasks.

Tax Equalization – an expat allowance meant to make an assignment "tax-neutral" for the employee while working abroad. When tax equalized, an employee will continue to pay the same amount in total taxes (U.S. and foreign) as they would were they working in the U.S. Basically, the employee's actual tax obligation in the U.S. and abroad is compared against their hypothetical tax obligation had they stayed in the U.S., and Harvard makes up the difference.

Tax Residence – defines the country in which an individual will be responsible to pay taxes in a given year. The definition varies greatly from country to country, but in most places, physical presence is the critical factor. In other countries, ownership of a home or availability of accommodation, family, financial interests, and immigration status come into play. Residence should not be confused with "Domicile", which is in common law a different legal concept.

Third-Country National (TCN) – an employee working in an assigned country who is neither a national of the assignment country nor the U.S.

Regional TCN (regional transfer) – is a national of a country sharing not only a geographic region with but also similar culture and values to those of the assigned country. For example, a Kenyan citizen working on a program in Tanzania would be considered in most cases a regional TCN.

International TCN (traditional TCN) – is a national of a country not neighboring the assignment area geographically or culturally, and also not originating from the U.S. An example would be a Kenyan citizen working on a program in Australia.