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Working in Africa: Expatriates in little danger of seeing the money run out

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By Dina Medland

An African proverb claims “You become wise when you begin to run out of money”. Believed to emanate from Ghana in West Africa, the saying hardly does justice to the economy and prospects for expatriates in many of the continent’s countries.

Expatriates are certainly in little danger of running out of money, but the degree to which they are “looked after” rather than paid in hard cash depends where in Africa they operate. It is also likely to depend on the industry sector in which they work, with opportunities in most sectors now appearing to be very slowly diminishing.

Multinational companies are drawn to Africa today because of its natural resources; its economic growth – the International Monetary Fund expects economies in the sub-Saharan region to post average economic growth in 2012 of almost 6 per cent; its fast-emerging middle class, now numbering more than 300m people; its possession of 60 per cent of the world’s total uncultivated arable land; and, increasingly, its tourist destinations.

“There is a very real sense that Africa seems to have grown tired of going to war,” says Derick Boshard, partner in Johannesburg with Heidrick & Struggles, the global search firm. Countries such as Kenya and Tanzania are now among the world’s favoured tourist destinations, and the United Nations World Tourism Organisation expects tourist arrivals in Africa to exceed 50m in 2012.

“We are seeing a groundswell of activity this year with American interest as well around Francophone, Anglophone and Lusophone (Portuguese-speaking) Africa,” he says. But when it comes to executive pay, there are large regional variations across the continent: “In terms of how the pay is structured, if you look at West Africa and southern Africa, the pay scales will be very different,” says Moula Mokhobo-Amegashie, a consultant in Johannesburg at Spencer Stuart, the global executive search firm.

A role at the upper end of the scale in the financial services sector, for example, would offer a guaranteed base salary in both regions, plus a performance bonus, an equity element and performance shares. But in West Africa, an executive would also get a driver and car, and often security, as well as housing with staff to run it. In addition, they could expect medical cover with broad coverage that could extend to check-ups in South Africa

or Europe for the employee and their family, and medical evacuation coverage. It means the cost to a company of employing expatriates in West Africa – for example in Ghana or Nigeria – is very high.

By contrast, Kenya in East Africa offers very good healthcare and education, as does South Africa, say headhunters.

More widely, relative peace is removing one element from pay deals. Seshmi Samuel, Africa people leader for professional services firm Ernst & Young, says: “Expatriate packages no longer include ‘danger pay’ in Africa.”

But there might also be diminishing opportunities for expatriates: “We are increasingly finding African governments have a lot of regulations around expatriates. In Mozambique, for example, 90 per cent of workers need to be African nationals and only 10 per cent expatriates,” says Ms Samuel.

“It falls to us to bring the diaspora back and we are finding that it is increasingly attractive for Africans to return to their own countries,” she says.

But if expatriates face increased competition for the top jobs, they are also finding companies in certain sectors – such as mining – will do whatever it takes to retain the person they want.

“There are no set pay packages in Africa – you pay what you have to in order to get what you want,” says Mr Boshard at Heidrick & Struggles.

In natural resources he sees heightened activity from Australian, French, British and US companies and therefore particular opportunities for individuals from those countries. But there remain pockets where expatriates do not want to live, for reasons around security, lifestyle and health and education.

“In Nigeria, it remains very difficult to persuade expatriates to live there. Ghana has better infrastructure and education and doesn’t have the ‘reputation’. A lot of multinationals are therefore basing their operations in Ghana or Morocco and flying them in and out of Nigeria,” says Mr Boshard.

One recruitment solution – both for roles in international mining and in the financial services sector – is to search first in South Africa for candidates, he suggests.

The mining sector, however, has its idiosyncracies. If a company needs an expert to work at a mine in the Democratic Republic of Congo, for example, it is very common to offer an 8-3 or 9-4 rotation – working seven days a week for eight or nine weeks and then three or four weeks at home, perhaps in Europe. “For the mining company, where it is hiring expats, it almost has two people for every senior job,” says Mr Boshard.

Private equity is also growing across Africa, with key investment centres in Kenya, Nigeria and South Africa. “Private equity is backing all sorts of companies, including renewable energy in Africa,” he says.

Alongside natural resources and financial services, the fast moving consumer goods

sector is indeed fast moving. According to the Mckinsey Global Institute, consumer spending in 2013 is expected to be about \$1tn.

Ernst & Young's most recent Africa Attractiveness Survey – which combines statistics on investment in the continent over the past decade with a forward-looking survey of global executives – expects foreign direct investment inflows to reach \$50bn by 2015. “Central and western Africa have always lagged behind in consumer retail, but now US and European companies are setting up shop here,” says Ms Mokhobo-Amegashie. “The difference is that they are realising they have to employ locals in the market to run the consumer services company.

“You might find the expatriate at the top – but the second in charge is likely to be a local. And the top job may be for a shorter period, with clearly defined key performance indicators which include empowering a local team.” She points to pharmaceuticals as another high-growth sector where the same trend is evident.

EXAMPLES OF EXECUTIVE PAY

● Chief operating officer for a large underground and open pit mining operation in Central Africa

Base compensation: \$450,000

Variable additional pay: \$340,000

Additional benefits: Free furnished family accommodation; use of company vehicle on site; two business-class fares to home base (plus spouse) every six months; medical cover plus evacuation in event of illness or injury.

(Source: Heidrick & Struggles, Johannesburg)

● General manager for a mining company in East Africa

Base compensation: \$230,000

Allowances: geographic: \$60,000; residential: \$28,000

Variable compensation: short-term incentives: \$75,000; long-term incentive: \$75,000

Additional benefits: Business-class flights for employee and dependents to home base twice a year; free medical plus emergency evacuation for illness or injury.

(Source: Heidrick & Struggles, Johannesburg)

● Chief financial officer in financial services in West Africa

Base compensation: \$385,000

Bonus: \$75,000

Additional benefits: company vehicle; significant equity participation; accommodation.

(Source: Heidrick & Struggles, Johannesburg)

● Chief executive role in Ghana

Pay scales (cash component): a range from R83,000 (\$10,140) to R118,000 per month (Rand used for comparison; figures rounded).

Additional benefits: performance bonus and/or equity; guaranteed 13th cheque (an extra month's pay); medical/health insurance – to include emergency evacuation; death benefit; relocation and set up costs; pension; car/fuel/driver; education costs; house, household

staff and utilities.

(Source: Spencer Stuart, Johannesburg)

• **Group chief executive roles at large banks in South Africa:**

ABSA Bank: Pay, R6.657m (\$815,000); bonus (performance incentive), R14m

Nedbank: Pay, R5.983m; bonus, R9.7m short-term incentive

FNB: Pay, R5.187m; bonus, R6.36m as performance bonus, and R3.24m in shares

Standard Bank: Pay R6.525m; forfeited bonus.

(Publicly available information)