Cultural Attitudes Towards Self-Initiated Expatriation Since Harzing (2001)

Abstract

This is an HRM and personnel economics working paper commissioned by the Royal Economic Society. Using synthetic micro data, it examines how cross-cultural attitudes towards self-initiated and assigned expatriation from the United Kingdom have evolved since Anne-Wil Harzing's seminal contribution on expatriate complexity (2001). Drawing on a panel model covering the ten destinations that constitute the largest migration outflows for UK expatriate workers, the study evaluates how perceptions of private-sector expatriation have shifted over the past two decades. Building on Mayaki (2024), the model incorporates wage differentials, migration flows under skilled-worker visa regimes such as the U.S. O-1 visa and the UK's Global Talent visa, and firm-level cost structures. A central feature of the framework is a firm's objective function that balances the benefits of expatriation against relocation costs, cultural acceptance, and visa restrictions. Empirical evidence is drawn from population estimates, wage distribution data, and official statistics spanning 2001–2021. The findings aim to illuminate the interaction between multinational HR policy, economic incentives, and shifting cross-cultural attitudes, offering new insights into the long-term dynamics of expatriation.

Introduction

Harzing (2001), citing the earlier work of Edström and Galbraith (1977), defines three core functions that expatriation of labour generally fulfils within multinational corporations: filling positions, developing managerial competences, and strengthening organizational coordination. Harzing further concludes that inpatriation and subsidiary-to-subsidiary transfers also fall under these functions. While Harzing's quasi-anthropomorphic analogy has proven influential, most subsequent research has remained confined to the workplace, with limited exploration of how cultural and societal attitudes shape expatriation dynamics outside the firm.

This paper advances the discussion by embedding cross-cultural perceptions of expatriation within a firm-level HRM framework. Specifically, it develops a dynamic optimization model in which firms select the level of expatriation to maximize discounted net benefits: the productivity and cultural gains from sending workers abroad, minus relocation, adjustment, and concentration costs, all under visa and attrition constraints. By doing so, the model connects expatriation decisions to measurable labour market outcomes and to host-country attitudes, thereby offering a unified lens for analysing both corporate strategy and the broader cultural environment in which expatriates operate.

The Model

Consider a global mobility model of the workforce where there is a stock of M number of highly skilled expatriate workers in the organization's populace who each provide permanent contractual labour (between at least 3 to 5 years of full-time employment) to a fixed number of subsidiary organizations at cost $c_{j,t}$, with an outside option available from x other firms in X other non-UK economies. We assume that there are t time periods, designated by monthly data. complete contracts, these are agreements that address specific levels and means of compensation as opposed to the stipulation of a zero-hour agreement or an arrangement involving incomplete contracts.

This working paper will assess an estimated 2,400 empirical observations within a finite timescale (20 years since 2001), namely T (total time indexed) = 20 (years)x12(months) where J=10 (which are the 10 panel countries). $s_{j,t}$ is the expatriate stock level at time t. Population estimates are used for all J countries

between 2001 and 2021. Empirical evidence for wage differentials could emerge from ONS average hourly earnings datasets or from World Bank data. Likewise with other panel countries, the domestic hourly earnings index would be the most sufficient source of data.

The paper denotes time intervals as corresponding to a particular aggregated format, specifically it infers that $t = 0,1 \dots, T \; when \; j \in J \; (the \; destination \; set, our \; 10 \; country \; panel)$, that is, an interval's format is generally consistent across all model variables unless otherwise stated. The firm's workforce headcount at $time \; t$ is equal to P_t. The net transfer of expatriates to any country j at time t is given by $m_{j,t} \geq 0$. Total expatriate outflow is equal to $M_t \equiv \sum_j m_{j,t}$. Taking the UK as the country of repatriation, the remaining stock of firm-wide workers are given by $N_t^{UK} = N_t - M_t$. Likewise, the stock of firm expats is equal to $s_{j,t}$ at a given time interval and defines what we shall call the cross-cultural attitudinal index $\theta_{j,t} \in (0,1)$. The future stock of expats to each panel country is denoted as $s_{j,t+1} = (1-\delta)s_{j,t} + m_{j,t} \; s.t. \; \delta \in (0,1)$. The primary goal of the firm's expatriation control model is to develop a target rule $\alpha_{j,t}$. The rule applies to each panel country at any given time interval and is denoted by any decimal fraction between zero and 1 such that $\overline{m}_{j,t} \equiv \alpha_{j,t}P_t \; with \; 0 < \alpha_{j,t} \ll 1$. The wage of each of the firm's expat is thus a variable we have denoted as $w_t^{UK}(M_t)$ and implies the home country wage is a direct function of expatriate outflow. The key visa channel constraint is $m_{j,t} \leq v_{j,t}$ and maps the equivalent of O-1 or the Global Talent visa route.

The Firm

The next goal is a firm objective function. Subject to strict equality and inequality constraints, the equation expressed (below) establishes a level of expatriation (using visa issuance flexibility and discretionary benefits or incentives to expatriates) that is sustainable in the long-term given relative growth, across all subsidiary firms within the model to alleviate the concentration of highly-skilled workers. The firm must thus select a level of assigned expatriation to maximise expected return:

$$\max_{\{m_{j,t} \geq 0\}} \sum_{t=0}^{T} \beta^t \left\{ \sum_{j \in J} [B_j \theta_{j,t} m_{j,t} - \frac{r_j}{2} m_{j,t}^2 - \frac{\eta_{j,t}}{2} \left(m_{j,t} - \alpha_{j,t} P_t\right)^2 - c_{j,t} m_{j,t}] \right\}$$

subject to

$$s_{j,t+1} = (1-\delta)s_{j,t} + m_{j,t}$$

and

$$m_{j,t} \leq v_{j,t}$$

References

Edström, A. and Galbraith, J.R. (1977) "Transfer of managers as a coordination and control strategy in multinational organizations", *Administrative Science Quarterly*, pp.248-263

Harzing, A. (2001) "Of bears, bumble-bees, and spiders: the role of expatriates in controlling foreign subsidiaries", *Journal of World Business*, 36(4), pp. 366-379

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