

A Globally Mobile Workforce: HR's Role

With the ever-growing number of employees stationed around the world, the design and administration of benefits and compensation programs for international assignees has become more complex. This paper focuses on applying a global perspective to talent and on how this new viewpoint changes the way human-resources professionals need to manage and use global mobility as a tool when creating workforce strategy plans. By proactively employing a global-mobility strategy, HR professionals can ensure their global-mobility programs play a vital role in the organization's overall workforce strategy.

The term *global mobility* refers to *the purposeful cross-border deployment of employees to accomplish one or all of the following goals: execute a specific business objective, develop an individual's global-leadership skills and/or instill a corporation's global-mission initiative.* Global mobility, so defined, elevates its role from a tactical event to a strategic practice and separates it from the administrative and limited terms of *relocation* and *international assignment management*. HR has traditionally created policy and managed expatriates on temporary international assignments. Yet this newly emerged definition of



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mobility now encompasses short-term assignees, regional commuters, rotational assignments and one-way permanent international moves. The author's experience also proves that companies often include extended business trips in their definition of mobility as well — due to tax and work permit compliance concerns, and domestic, intra-country moves — due to their unique workforce challenges within emerging-market countries.

HR'S ROLE IN GLOBAL MOBILITY MUST MOVE FROM TACTICAL TO STRATEGIC

It is essential for HR (both local and global) to view itself as part of the global-workforce solution. The previous best-practice policies no longer adequately respond to an organization's needs. HR needs to adapt — fast.

The changing business climate requires an agile and deliberate HR attitude, as well as the infrastructure and planning that can be both strategic and tactical to support mobility in all of its new guises. It is the author's experience that a dynamic workforce demands the use of various types of assignments, cross-border relocations and multifaceted international hiring practices, such as local foreign hires, virtual teams and permanent moves.

Mobility has always played a tactical role within HR, but rarely has it been elevated to a strategic position. Until now, the typical domestic policy has covered relocation benefits with the understanding that the move was permanent or one-way, whereas international policy was designed around a temporary period, usually short (three months to a year) or long (one to five years). As such, these are not merely physical moves but defined “assignments,” which require thoughtful, strategic workforce planning to ensure the best use of talent, considering the complex, multijurisdictional realities of crossing borders.

As a practical example, consider the growth in domestic mobility within countries where relocating was not a common practice one year ago (e.g., China and India). The complexities surrounding domestic moves in these countries are more akin to an international than a domestic move in the United States or the United Kingdom. Moving within an emerging market, region or country varies from city to city, presenting barriers to relocation (from education for children to variable dialects and the ability to leverage local networking to facilitate business relationships). This creates the need for companies to look at each location and the local landscape strategically to make the right staffing decision for the business, while also addressing the issues facing the employee and family and providing the solutions to facilitate relocation.

HR cannot only play a strategic role, however. The tactical elements and complexities of global mobility remain and require solid HR policy and procedure to manage effectively. There are many aspects of compensation, tax treatments and reporting, work-permit compliance and benefits (ranging from pensions to medical coverage) to consider. And, corporate liability for tax withholding —

even for business travelers — is getting more stringent as governments are seeking to maximize tax revenue and ensure a tighter control over international labor and work-permit availability. It is not unusual to see Bill Gates, Microsoft chairman, lobbying the United States government to ease visa quotas so companies can have freer access to talent from whatever country can produce it. These country-imposed limitations lend to the growth of offshoring as companies shift to capture labor advantages.

HOW MOBILITY CAN CONTRIBUTE TO A GLOBAL WORKFORCE STRATEGY

With vision and practical planning, mobility can be an organization's newfound strategic device. A global-mobility strategy is not without its challenges in effective application and execution, but with a well-thought-out policy and strategic workforce objectives, companies can enhance many aspects of their workforce acquisition, placement and management with an effective global-mobility strategy.

To understand global mobility's reach and consequent impact on a company's global-workforce strategy, consider it within the framework of each of these critical areas of HR management:

- Talent management and development
- Compensation
- Performance and return on investment (ROI)
- Learning
- Compliance and risk management.

Talent Management and Development

Many progressive, flat organizations use international mobility as part of the requirements for career growth and even require such experience as a means to attain executive positions. A successful global-mobility program can produce dividends for the company and the individual. In many areas, mobility can affect talent at crucial points in their career — such as attraction, development and retention. The author has found that performing candidate assessments is a great first step to ensure preparation for an assignment. To truly capitalize on this evaluation, organizations need to follow through and use this insight to develop career plans and build candidate pools for assignments in general and global leadership roles, in particular.

Using international assignments to develop global working skills provides cultural exchange opportunities (corporate and geographical), leading to the development of a profound depth of skill for management in a global and diverse environment. More organizations are realizing the investment value of this interchange of both culture and skills and are being creative and strategic in how they manage global talent to maximize tangible returns. This visible, global image for a company attracts a wider and more sophisticated talent pool from which to recruit. (More information on this topic can be found in the work of Black, Morrison and

Gregersen, (1999), where they cite the four T's of global-leadership development (travel, transfer, training and teams)). From a cost-management perspective, developing candidate pools can offer the company an international choice for talent placement. With certain citizens having worldwide income-tax implications, a pool could offer alternative candidates who are less costly to move. Candidate pools may no longer be limited to key talent focus but can be broadened to include a wide span of skills and band levels.

Compensation

As organizations begin to see cross-border mobility as more of a standard and required operating practice to meet business objectives than a specialized role or career event, compensation programs and packages will need to address the complexities of equity on the global playing field — in reality and perception. And global-mobility experts can help.

As experts in this field know, it is a near-impossible task to level set global-compensation structures due to the country-to-country variables influencing an overall package, such as pensions and social programs. Yet, it is this highly critical aspect of HR management that provokes questions and skepticism from governments and employees as they attempt to scrutinize corporate practices to ensure fair and equitable treatment.

The basics of supply and demand are at the core of this subject, and will continue to define how talent is paid, for years to come. Even so, myriad examples exist of how companies operate with what appears to be a blind view to the world around them. This includes the common notion that expatriates are more expensive than local talent. In reality, in developing countries such as India, Westerners are now more economical and more available than local employees at the top manager level. Just as companies seek new labor markets to gain cost advantages, this financial edge shrinks rapidly as local economies are quick to mature and demand equity for labor as well as other local operating costs.

What commonly results from a misalignment among compensation, mobility and talent management are *hybrid assignments*. Although a sophisticated-sounding label, they are usually, at best, a policy work-around used to create individual “deals” with employees. HR’s complicity with the business to get employees where they need them at a price point they feel they can afford — and with terms that the employee is willing to accept — eliminates the opportunity to put in place appropriate expatriate terms that would establish the employee on a more local package with the unspoken intent of repatriation. The business justification is that this makes the move cheaper than a full expatriate and, hence, affordable. The equation’s other side is that these types of “deals” tend to be assembled without an understanding by regional HR of a strategic downside to overall workforce management including potential employment law and/or tax (corporate as well as individual) compliance concerns. The organizational dysfunction

in managing these types of assignments as common and accepted can become difficult to reverse, as the practice quickly is entrenched into a philosophy about talent assignments. Ultimately, the effect of condoning this approach leads to visible inequity due to the blurred nature of the employee's status as neither a full expatriate nor a normal local employee, and the assignee is at risk of becoming disenchanted with the company's lack of support and global sophistication.

A global organization needs a strategy to address issues such as business timing and cost. Expatriate compensation packages are an essential part of that design and planning. If the business struggles to afford a standard assignment package, it may be prudent for the organization to subsidize the assignment so it is done correctly. Compensation professionals need to guide and lead in this area so the organization can capitalize on the bigger picture. Clear direction to local managers, HR and foreign payrolls is necessary on all aspects of compensation. It may be necessary to build the case for a shared-assignment cost model between business and corporate, with specific emphasis on a career path for the assignee (global leadership and management positions). Companies should combine the business need and the management-development investment goals into one calculation, with a systematic plan to support, sustain and integrate the assignment into a developmental structure.

Managing the administrative aspects of compensation for global assignments requires a detailed cycle of tasks. Seek opinions from international-tax professionals and ensure a stringent approval process for authorization on compensation and subsequent changes to prevent local practices infiltrating an international package that was designed to maximize cost savings and tax-planning options. Scrutinize the way each aspect of compensation is important. Consider annual raises. Should this be applied to an expatriate package if the package is already structured for the position and time frame of the assignment agreement? Repatriating the employee into a particular band structure raises potential issues. Assume there will be local costs, tax impacts or withholding requirements applied, whether it is base salary, annual raises, bonus, commissions or stock options.

It is unlikely that a single global policy or approach could address such complexities. But a global corporate standard that links each functional HR segment with appropriate regional guidelines can support a platform for a wide range of functional policies to address business objectives and manage costs and compliance. This ensures the integrity of the corporate vision and the workforce most organizations are striving to attract, motivate and retain.

Policy development is only one step in any process to effectively administer a global expatriate event. Compensation, the required cost of living differentials and the excess tax cost are the major administrative elements of an assignment. The common guideline that an expatriate assignment is two to three times the domestic cost is based on using a tax-planning methodology. Without that methodology, the cost can be significantly more. Other areas, such as health benefits

and retirement and pension plans, also add complexity and cost to the programs to stay compliant and competitive. Although there are agreements in place across numerous countries to avoid the duplication of payments into a host country's pension scheme, the agreements do not always work. In the case of *global nomads* (individuals with multiple assignments throughout their career), the condition of not having any single-country program fully funded can lead to a genuine pension dilemma for these employees. Policy can address some of these elements, but the corporate community has few options to practically and comprehensively manage these details on a global scale. Regardless of the size of an expatriate program, having the most up-to-date sources of information and broad delivery capabilities is required to effectively track taxability, thresholds on local tax requirements and country-to-country treaties that can reduce costs. A single, turnkey solution is generally unavailable when one's expatriate population is small, yet the appropriate actions are still required.

With a significant expatriate population, it becomes possible to create an in-house solution to these complex compensation issues, but maintaining the most up-to-date and scalable subject-matter expertise on staff — from compensation through taxation — is a daunting task. Historically, companies relied on international tax firms to plan for and prepare tax returns. And, in about 20 percent of cases, companies use these firms' full-assignment administration platforms. Amazingly, almost 69 percent of companies do not utilize *any* formal method, internal or external, to track assignments (Deloitte and ORC Worldwide 2007). With tightening restrictions for tax firms on how, what and with whom they can deliver services due to Sarbanes Oxley, their scope of services is narrowing with certain clients. Although this service option will not likely withdraw from the market completely, the need to leverage a complementary team of service providers is emerging as a viable alternative. Resources from HR outsourcing and HR consulting are effectively integrating with HR and tax professionals, and facilitating comprehensive assignment compensation tracking, relocation management, tax reporting and pay delivery.

Performance and Return on Investment (ROI)

A formal set of measurable goals and achievements is needed for HR to truly measure successful mobility. HR must have a strong commitment to defined metrics for global mobility; otherwise, assignments cannot be valued appropriately. A recent study by Deloitte and ORC Worldwide found that more than 86 percent of the multinationals surveyed did not track any metrics related to international assignment results. As a consequence, business managers will continue to rely on assumption and hearsay to determine if an assignment is viable, never really knowing whether an expatriate is worth the cost. The author has found that short-term assignments are frequently used in a back-to-back fashion without any cost

analysis on results achievement or whether a single expatriate assignment would have been more effective, without any added cost.

It is possible to achieve a clear and defined return on global-mobility investment, but it requires an integrated, cross-HR effort. An organization must use an integrated methodology, including the business case, individual performance tracking and career development, to achieve an objective view on financial returns and human capital.

Aspects to address, in addition to the assignee's job goals and the financial business results, are actual assignment costs compared to the original and ongoing business case. Also, long-term retention results can be measured as part of an overall return-on-investment (ROI) strategy to integrate assignment experience back into the organization upon repatriation. The strategic value equation for a long-term ROI calculation remains HR's responsibility as it crosses between long-term corporate and short-term business objectives. HR is best positioned to demonstrate the value of a global workforce and programs to facilitate an agile response for current and future demands of global business. Consider the following process:

- Structure a clear business case for the assignment, and have defined financial achievements.
- Perform an assignment cost projection and track ongoing costs.
- Build performance goals tied to the business case into the assignment.
- Monitor progress in an appropriate time frame (annually for long-term assignments, post-assignment for short-term assignments, etc.).
- Compare assignment cost to business-case achievements.
- Factor in career-path, leadership and talent development.

Learning

Global organizations can learn from the few companies that truly live a global vision. Whether it is a requirement that all executives have had international assignments or that business leaders are chosen based on their diversity as well as their skills, a clear vision and genuine commitment to that vision are what will “globalize” an organization's management and mind-set over time.

Both domestically and globally, a number of learning-related activities can be instituted to quickly bring global diversity and operational practice to reality. Cultural training for individuals and work teams can enhance positive working awareness and effectiveness. This applies for virtual work teams as well as employees on assignment working in a culturally different work environment or region. In addition, training the receiving team is also important. It has been perplexing that there has been an effort to train the expatriate manager to understand the culture where he/she will work, yet not train the team with whom the expatriate will manage about the culture of the expatriate. It is that myopic, and often cost-centered, thinking that dominates the tactical process — it leaves no room or expectation to consider creative actions. The cost/benefit of training the entire team to understand each other's culture, behavior and perspective creates

a more productive team in a shorter period.

It is important to remember that critical corporate oversight can dramatically influence global initiatives on a regional level when there is a realization that a shared investment can produce broad and lasting results.

Compliance and Risk Management

Possibly the largest barrier to global mobility is the free movement of labor. Each country has its own complexity of laws and unique levels of bureaucracy for providing work permits. If an organization does not invest in a structure to oversee and track its workforce when it crosses into other jurisdictions to work, the risk of operating illegally, attracting fines, and tax obligations is genuine.

This is no simple matter to track, control and manage on a global basis. Therefore, this oversight rests with HR and others. It requires the support and commitment of corporate legal, finance and tax, although it is best structured as a partnership with HR. One reason this is challenging to manage is that compliance applies to more than merely cross-border assignments. Business travelers and virtual workers are also a part of an overall tracking initiative.

Although compliance may not have been an issue for most companies in the past, that is quickly changing. With passport scanning at every border, governments are far better equipped to track individuals entering their country — knowing the exact number of days spent in-country by each individual. Be forewarned: when it becomes an issue, it will be a costly one, with financial and public-relations consequences. Managing strict immigration and work-status compliance is critical, because it is closely tied to tax reporting and payroll withholding and can affect corporate taxation and exposure. Corporate tax and finance departments should be engaged, aware, and accountable for the strategic decisions surrounding global talent management, including its mobility.

To manage risk appropriately, a comprehensive global-risk assessment as part of a global-business plan is helpful. This needs to integrate with and apply to any global-expatriate program or workforce outside of the company's domestic environment. A 2003 survey, conducted by the Foreign Policy Center in the U.K., noted that less than one in 10 small- to medium-sized international companies working in risky environments provided any training for their international staff for their personal safety (Briggs 2003). The reason cited was that there was "no convincing business case." Leading experts agree that the business case is the staffing requirement itself. Most corporate cultures would not purposefully avoid such training, and companies are improving, but a mandate from corporate risk and an associated policy to guide a consistent training program worldwide is critical.

It is essential to have progressive and well-communicated safety plans for all globally mobile staff. Developing these plans in tandem with corporate security and engaging communications to support ongoing information distribution will achieve the best results. Clear security information, defined crisis-management and business continuity

plans are integral aspects of the cost of doing business, but even more so in the global arena where it extends to families and is a 24/7, 365-day-a-year necessity. Factors such as health issues, culture, political environment, terrorism, crime and even transportation need to be considered.

CONCLUSION

Harmonizing HR with global-mobility and strategic-workforce planning can create policies and practices that are nimble enough to respond to changing business needs. With a globally oriented vision for organizational structure, HR can:

- Bring the vital leadership to ensure oversight on talent management.
- Bring effective and consistent administration adaptable to business needs and workforce dynamics by region.
- Provide a fair, reasonable and consistent employee experience.
- Meet all the jurisdictional, legal and tax-compliance requirements, both for companies and for individuals.

In summary, the HR professional can do the following differently to adapt to this environment:

Proactively review current mobility policies and practices:

- Evaluate if they are country centric (e.g., largely U.S. to international).
- Adapt or expand to have a broader view to mobility, globally, regionally and country-specific. Standardize (where possible and relevant) with an eye to local needs and parameters.
- Perform an analysis and management approach by assignment type.
 - Nonlong-term expatriates: Authorizations, local laws and practices, tax withholding, time-in-location tracking, etc.
 - Commuter, short-term, business travelers, rotational assignments
 - Global nomads (employees with back-to-back assignments).

Evaluate current methodology for reporting expatriate compensation:

- Take appropriate tax-planning steps, including leveraging treaties and recouping tax credits.
- Develop on-assignment management procedures.
- Identify and address home and host payroll integration gaps.

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Review procedures for managing logistics affecting expatriate compensation and taxation:

- Plan for expense payment tracking at the local level, with the ability to aggregate on a global level.
- Identify per-diem and/or cost-of-living supplement methodologies and tracking. Develop performance criteria and ROI:
- Perform an assignment cost-benefit analysis assessment through actual financial costs and deliverables.
- Develop and enhance the candidate pool.
- Proactively integrate career paths (executive placement criteria through expatriate experience).
- Apply and evaluate current methodology for tracking and reporting expatriate compensation.

Learning:

- Train for cultural awareness.
- Establish required education programs as mandatory.
- Use Web-based training.

Compliance and risk management:

- Assess procedures to track cross-border compliance for work permits and tax reporting for official assignments and discrete movement (e.g., business travelers).
- Integrate the expatriate and nondomestic workforce into corporate-risk assessment and planning.
- Inform legal and compliance teams of corporate liability issues related to global mobility.
- Communicate shared responsibilities with mobile employees.
- Identify the risks, and establish agreed levels of risk tolerance.
- Establish preparedness plans for prevention and response. ■

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