



Understanding and managing the complexities of cross-border assignments

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Aligning Global Mobility to business strategy and model

- International Mobility programs should be designed to support the organisation's **business strategy** and should reflect its **business model**
- The desired business strategy and business model are the starting points
- It is important to understand exactly how each new initiative creates value for the organisation
- Many organisation struggle to link HR initiatives to Strategy and Shareholder Value



Framework Design

International Mobility frameworks need to reflect the business priorities of the organisation and the associated **overall workforce strategy**:

- What is the business model? How does it translate into “people”?
- What type of people will be needed in each area of its business, both **functionally** and **geographically**?
- What is the resourcing strategy? Can you find the right people locally? If not, where will you find them? Is it better to change the business model and move the function instead of the people?
- What mix of assignment types will you need to meet your business needs? Should you localise “positions” instead of “assignees”?
- How will you attract the people you need? What could be the right push and “pull” factors for the workforce segments relevant to you? How are you going to retain and develop them?
- What infrastructure will you need to make this happen and to keep it going?
- What is the best way to organise your HR function to make this happen, in terms of Service Delivery Model?



What is special about Global Mobility?

- **Compliance:** Complex interaction between the home and host country's tax legislations, employment law, and social security requirements.
- **Remuneration:** Most employees and HR practitioners struggle with the additional complexities of different taxation, cost of living, exchange rates and equity between expatriate staff and their local peers. Expatriate remuneration also has additional challenges due to the potential impact of the transfer on the accompanying spouse's income.
- **Logistics:** Deep emotional impact on the employees and their families. Accommodation standards can vary widely across locations. Private transportation may be expensive or unadvisable. Limits on the amount and type of household goods that the employees can ship or store. Sensitive policy decisions on family pets and the provisions for special items (e.g. cars, boats, art collections, etc).
- **Family issues :** Significant tension and stress in the assignee's family. Accompanying spouse may be required to leave his/her job, with a corresponding loss of income which may render the transfer financially unattractive. Worries about children education.
- **Budgeting, Affordability and ROI:** An international assignee can cost 2 to 4 times more than hiring and employing a local employee. Challenges budgeting for an international assignment and measuring the ROI on this investment to justify the cross-border move.
- **Risk Management:** Manage the risk of a premature assignment termination. The most common reason for assignment failure is the family's inability to adapt to the host environment.

International Mobility Framework – Conceptual Model

Business Strategy and Business Model

Talent Strategies

International Mobility Policies and Rewards

Extended Business Trips

Short-Term Assignments

Long-Term Assignments

Intra-Regional Assignments

Permanent Transfers

Localisations

Tax Policies

Processes, Tools and Service Delivery Model

Assignee Selection

Documentation

Pre-Departure Activities

Deployment Activities

On-Arrival Activities

Settling-in

On-going support

Repatriation

Re-integration

Exception Mgmt

Tools & Technology

Roles & Responsibilities

Corporate HR

Home Country HR

Host Country HR

Line Managers

Assignees

Vendors

The additional challenges of cross-border HR

Talent Management

- Assignee Selection
- Succession Planning
- Performance Management
- Staff retention
- Equity with local workforce

Rewards

- Compensation & Incentives
- Home Leave
- Cost of Living differences
- Exchange rates
- Hardship
- Long term benefits
- Medical care
- Safety and security
- Loss of spouse's income

Logistics

- Children Education
- Housing issues
- Cars, pets and other factors
- Shipping / Storage
- Language and Culture
- Emergency evacuation

Admin & Compliance

- HR Service Delivery
- Payroll considerations
- Cost charge-back
- Personal tax
- Corporate Tax
- Social Security
- Immigration
- Employment Law



Policies

The introduction of formally documented policies will facilitate the gradual elimination of exceptions, easier administration and easier transition to an outsourced model, in case this is required in the future

- Extended Business Trips
- Short-Term Assignments
- Rotational Assignments
- Long-Term Assignments
- Permanent Transfers
- Localisations
- Tax Equalisation / Tax Protection Policies
- Developmental assignments

The design of each policy should reflect the strategic intent of the international assignment and take into account many factors, including:

- Effectiveness of the policy in incentivising mobility
- Policy-specific compensation and benefits
- Cost consideration
- Equity considerations between assignees and local staff
- Equity considerations between assignees from different countries working in the same overseas location
- Ease of implementation and required administrative overhead
- Opportunities for tax optimisation in each deployment location

Policy Considerations

At the policy level, a number of issues need to be addressed, some of which can become contentious:

- Remuneration approach
- Location of contract and payroll
- Cost of living adjustments / per-diem
- Hardship
- Other incentives – for example Disturbance Allowance, Foreign Service Premium
- Flights home and family visits: frequency and destinations
- Accommodation arrangements
- Taxes and social security
- Shipping allowances
- Reimbursement of utilities/telephone bills
- Cross-cultural and language training



Compensation & Benefits (Reward Strategy)

Expatriate remuneration framework should facilitate employee mobility whilst being cost effective at the same time.

- Package should be competitive with market norms and effective in facilitating employee mobility when required
- Need good sources of data and information for compensation items such as, for example Cost of Living and Housing data
- Need to identify Tax Planning opportunities to minimise the cost of the assignments whilst remaining tax compliant in all applicable jurisdictions
- Need to estimate the cost of implementing the proposed policies, based on the estimated profile and distribution of the expatriate population.
- Need to optimise the delivery of the compensation & benefits in each location, in order to minimise the tax exposure whilst remaining fully compliant
- Find the best option for the administration of compensation and benefits, for example, choice of payroll location, delivery of payments from home/host location, etc.

Remuneration Approaches

The Reward Strategy will determine the most appropriate Remuneration Approach. There are various options (from full-local to full-expat), including*:

Approach	Brief outline
Home Country “Balance Sheet”	Differences in taxation and cost of living are neutralised. The assignee’s remuneration retains the same Purchasing Power Parity as in the home location
Global / Regional HQ Balance Sheet	Same as above, but the reference country is the global HQ or Regional HQ instead of the assignee’s home country
Greater of Home or Host	Local package, but based on whichever is greater
Hybrid (e.g. Home Country + Allowances)	Assignees retain the Home Country remuneration, plus some local allowances to compensate for additional costs or hardship
Lump-sum Allowance	Assignees receive a lump-sum allowance and can use it at their own discretion for housing, schooling, home leave, etc
Local market rate	Assignee’s remuneration is aligned to host location’s packages for local employees
“Local-plus”	Local package (host), plus some benefits, typically housing and schooling

* Several other approaches exist, such as Cafeteria, Equalised Goods & Services, etc.

Tax, Immigration and Social Security Compliance

Regulatory environment is becoming increasingly complex. Mobile employees may trigger tax-filing obligations and tax liabilities in multiple locations. Understanding the inter-relationship of all these factors is of the utmost importance to enable the organisation to operate legally in each country.

- Awareness briefings to HR and Managers to explain the importance and complexity of compliance issues associated with mobile employees
- Pre-departure and on-arrival briefings to employees to explain their tax, immigration and social security status in each location
- Immigration services
- Social Security advice
- Tax preparation and tax filing services, including regional coordination of services between offices in various countries
- Year-end compensation summaries
- Advice on Corporate Tax and Permanent Establishment implications arising from international assignments
- Tax Risk mitigation advice

Compliance and Regulatory Considerations

Compliance and regulatory issues can often be under-estimated. Common pitfalls are:

- Tax obligations could potentially change if the assignment is extended by just 1 day: Assignees and Managers should be briefed and should take responsibility for reporting extensions
- Repeated business trips can trigger tax and immigration obligations
- Some Tax Authorities use a calendar year, some use a tax year, some use any 12 months period
- The wording of the contract, the assignee's activities and the mechanism for recharging assignment could trigger Corporate Tax obligations
- The Applicable Employment Law is not necessarily what is mentioned on the Assignment Contract
- Some compulsory Social Security deductions and payments may be required in some countries
- Specific types of visa/work permit may be required, irrespective of the duration of the assignment

Typical Compliance Considerations

- Home Country Income Tax
- Host Country Income Tax*
- Permanent Establishment and Corporate Tax
- Social Security
- Immigration
- Employment Law

Best practice is to:

- Allow sufficient lead time before deployment
- Leverage a network of 3rd party vendors who can help you remain compliant
- It is possible (sometimes) to remain compliant and save money by doing **Tax Planning**, for example:
 - ✓ Timing of the assignment
 - ✓ Duration of the assignment
 - ✓ Cash vs. Benefits in Kind
 - ✓ ... several other tax planning options

* It is possible to have compliance obligations in 3 or more tax jurisdictions

Processes, Tools and Service Delivery Model

- How to best organise the HR function to deliver International Mobility services to assignees and their line managers in the home and host locations.
- The design of the HR Service Delivery Model needs to take into account the business priorities. For example, if the company anticipates a significant increase in its International Mobility activities, then **scalability** of the model will be an important design consideration.
- Review, Alignment and Design of processes supporting each type of transfer. Standardisation of processes will increase efficiencies and facilitate the outsourcing of more activities over time, as well as enabling the introduction of technology and automation.
- Perform feasibility assessment and Business Case for outsourcing/co-sourcing service delivery model.
- Develop tools and templates to support processes and policy execution



Processes and Tools

- The processes supporting each type of transfer should be mapped, standardised and streamlined. Standardisation of processes will increase efficiencies and facilitate the introduction of technology and automation over time.
- Tools and templates can be designed to support processes and policy execution
- Technology tools will make it easier to control cost, risk and compliance

Key processes:

- Assignee Selection
- Assignment Planning and Documentation (e.g. Tax Planning, Assignment Letters)
- Pre-Departure Activities (e.g. Assignment Cost Projections, Assignee Briefings)
- Deployment Activities (e.g. Logistic arrangements)
- On-Arrival Activities (e.g. Temporary accommodation, on-boarding, orientation)
- Settling-in (e.g. Cultural briefings, schooling arrangements, permanent housing)
- On-going support (e.g. Payroll, salary reviews, tax compliance)
- Repatriation (Logistics, Assignee Briefing, Succession Planning)
- Re-integration (Re-integration of employee into the home country organisational structure)
- Exception Management (Formal process to document, review, approve, and cost policy exceptions)
- Management reporting (e.g. Headcount, cost, critical dates, exceptions)
- Compliance activities (e.g. Regulatory reporting in various countries)

Roles & Responsibilities

- Roles and responsibilities of each party need to be clearly documented and communicated. This step is effectively providing a detailed process and workflow design for each type of policy. International Mobility processes typically involve many parties, including:
 - *Corporate HR*
 - *Home Country HR*
 - *Host Country HR*
 - *Line Managers*
 - *Assignees*
 - *Vendors*
- R&R will also vary depending on the chosen Service Delivery Model (e.g. In-house, outsourced, co-sourced, centralised, decentralised)
- Clear R&R will facilitate the introduction of technology, workflow automation and transition to an outsourced or co-sourced model. The quality of service provided to the assignees and Line Managers will also improve
- Clear R&R will reduce the cost of the International Assignment program by having a more efficient process and fewer exceptions

Budgeting and cost management

It is possible to budget for, and cost in advance:

- The entire International Mobility Framework
- Each individual policy type
- Each individual assignment
- Alternative Service Delivery Models

Common challenges to costing and budgeting:

- Lack of information / Poor or non-existent data or documentation
- Lack of technology and tools
- Exceptions
- Deviations from standard procedures



Cost Management Opportunities

- Understanding cost – where is the money going?
- Understanding the objectives of the assignment – why are we sending this person overseas? How will we know when the assignment is successfully completed?
 - *Matching with the right policy*
 - *Managing the length of the assignment*
- Evaluating all possible options and alternatives
- Assignment Planning
- Tax Planning
- Tracking of critical dates
- Risk Management
- Exception management
 - *Policy exceptions*
 - *Process deviations*



Change Management and Communication

- By introducing a new Mobility Framework, the organisation will embark on a journey that involves a significant degree of change:
- Employees and Managers can easily become anxious whenever changes are introduced into the organisation (concerns about compensation, job security or escalating business costs, etc.)
- Success is highly dependent on having a carefully designed and executed Change Management and Communication strategy, in order to retain managers and employees engaged and supportive of the change, with no erosion of productivity or morale.
- The scope of the Change Management activities should include:
 - Leadership Alignment
 - Stakeholder identification
 - Change impact assessment
 - Change Readiness assessment
 - Communication and Feedback strategies



Conclusions...



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