

Risk And Compliance In Global Mobility: Key Issues

How can Global Mobility teams mitigate against risk and ensure compliance while pursuing their objectives and growth opportunities?

Fluid Mobility - Creating More Compliance Complexity, Not Less

Mobility is without doubt more and more fluid, as talent pools, customers and clients have become truly global. Short-term assignments, commuter roles, regional roles and business travel are now common features of the workforce in many organisations.

Whilst organisations generally recognise that long-term assignments and local-to-local moves require consideration of immigration, labour law and related compliance, it's often the case that the issues are missed when no physical relocation takes place. The truth is, the more fluid types of employee mobility give rise to more complexity rather than less.

Changes in technology, cheap air travel, and the comparative low number of countries 'opening up' to foreign investment are some of the reasons for a shift in the nature of mobility.

International Business Travel Risks

The risks are increasing with managing employees that travel on business around the world.

Many more organisations use extended business travel or commuter assignments as a replacement for more traditional assignments. Relatively open borders can mean that this is not usually as well tracked as assignment models are, and this can create compliance risks at an organisational level. Where business travellers are not assignees, there remain a significant number of organisations where unclear processes run the risk of evading compliance; examples include where a business believes that the Global Mobility department is tracking business travellers, but hasn't informed Global Mobility that it should be doing this, nor provided an appropriate budget.

We often see responsibility for business travellers sitting with different departments such as finance, legal, travel or elsewhere in HR. Some organisations allow business travellers to manage their own travel with little or no control exercised. So not only does business travel raise many non-compliance

risks in its own right, this can be exacerbated by weak or siloed management of business travel programmes.

Organisational Structure Has An Impact

It's fairly common for organisations with functional structures to segment their risk and compliance profiles. In our view, that approach will create silos of knowledge, prioritisation, and potentially restrict the necessary investments to ensure there is an overarching, connected framework for internationally mobile employees.

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The Burden Is Shifting - The Onus Is On Employers

Regulators and fiscal authorities have shifted the onus for compliance to employers. It's not about waiting for an audit and then dealing with it - compliance must be front of mind, always. The introduction of real-time reporting in payrolls gives the tax authorities extra data to spot and police compliance month by month. The tax authorities have agreed common reporting standards and are exchanging information from financial institutions - nudge letters then follow asking taxpayers to reconsider their reporting because the tax authority has some visibility already that the tax filings may not be fully accurate or complete. Many countries now have rules requiring key employees to personally confirm that

payroll and taxes are correct. And failure to prevent tax evasion, even if it is in another country, is also an offense.

Achieving Compliance

Technical expertise is a must, but this can usually be sourced externally. The real challenges invariably occur with data, process, technology and roles and responsibilities. Compliance can't be proactively managed if someone in an organisation isn't aware of the employee mobility that is going on.

There is a need to source good timely data on employee movements in both the formal and fluid types of mobility. Sourcing the right information in a timely way usually requires the leverage of technology. Good process is then needed to link employee mobility data to the right people and expertise in the organisation who can then review and manage the compliance. It's often a joint effort between HR/Mobility, tax, finance and legal departments. Some organisations have started to industrialise and automate these processes, but the right data remains absolutely key - to enable tax, payroll, social security compliance.

In-House Expertise Is Key

In-house expertise is key to understanding and managing employee mobility risk.

Mobility professionals are not employed by every organisation that probably needs them. The issues and process can sit with Reward and/or HR instead, who may not have a detailed understanding of the obligations and requirements, or not enough of the available roles allocated to this area. As a result, non-compliance becomes a possibility and with that comes significant extra unbudgeted costs in the form of taxes, penalties and interest. Often the allocating budget for resources to this area can seem like an avoidable cost. Thinking this way would be a false economy. One crude but effective way to think about it is to consider the total costs of globally mobile employees (which can run easily into multiples of millions) and then use a global payroll rate of say 35% to estimate the payroll obligations. That number can be easily double to 70% when you then take account of potential interest and penalties. In very simple terms, not allocating resource or specialists to this area could be opening organisations up to 70% of the total cost of globally mobile employees.

It's not all doom and gloom though, as there are also opportunities in this area. There are a number of tax and social security planning options that can significantly reduce the cost of mobile employees—a resource that can ensure these are being correctly implemented can save many multiples of their own annual cost for the organisation.

Key Considerations And Questions

1. Do Business Leaders fully understand the implications of not following agreed internal protocols to ensure external compliance in all its dimensions?
2. How well do Business Leaders and other corporate function leaders understand the role of the Global Mobility team - even HR business partners?
3. How does the Global Mobility team demonstrate their value, communicate and educate the key decision makers to involve them at the earliest stage?
4. Are policy exceptions documented and managed through a governance process?
5. What protocols are in place to minimise not only organisation risks but also people risks?
6. In many ways, the acid-test of an effective, risk mitigated Global Mobility programme is how well issues are resolved after a breach and not just prevention, since no Global Mobility programme can be 100% secure.

Conclusion

The critical factor in managing risk and compliance must be to ensure leadership understand the full impact of risks in an informed way and to seek their engagement with the various stakeholders to put in place a robust Global Mobility programme, both internally and externally with your Global Mobility supply-chain.

In conclusion, the reality for Global Mobility professionals is that, while they need to maintain control and internal governance of their programme, a holistic approach is required rather than silo thinking and trust in specialist partners, to secure the governance of your Global Mobility programme.

Global Mobility and HR teams are at the epicentre of activities impacting internationally mobile employees. Being the last ones to know there is an issue and then being expected to take accountability for addressing it, does not seem to be a well thought through sustainable situation.

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A strategy based on 'saving your way to growth' can only be achieved where the organisation is the dominant player or who operate in markets with limited competition. Ensuring that the debate for risk and compliance is heard must be a better option than waiting for a critical incident to occur and constantly having to react in crisis mode.

Are you ready for that debate?

References and extracts from:

- *Santa Fe Relocation's research report: 'Global Mobility Survey 2019 'REVISION: Mobility through the looking glass'* Download: www.santaferelo.com/en/mobility-insights/global-mobility-survey/
- *Santa Fe Relocation's white paper: 'Risk and compliance in Global Mobility: Navigating the maze'*. Download: <https://www.santaferelo.com/en/mobility-insights/white-papers/risk-and-compliance-in-global-mobility-navigating-the-maze/> Visit www.santaferelo.com for more information.



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