

The Evolution Of Remote Work

As the COVID-19 pandemic rapidly gained ground around the world in late 2019 and early 2020, few could have foreseen just how much would change in terms of personal and professional circumstances. The pandemic upended the workplace, prompting companies to rethink their policies and operations to keep employees safe and healthy, while ensuring successful business continuity. The experience of operating during the pandemic, particularly with regard to working remotely, has influenced organisations' responses to much discussed "Great Resignation" and resulting talent shortage. In order to retain and acquire scarce talent, organisations have embraced the possibility of remote work in a number of ways, from the widespread adoption of flexible, yet office and location tied, working patterns, to the widespread rollout of short-term, voluntary employee mobility programmes.

For the purposes of this report, full-time office, hybrid and full-time remote work were defined as follows:

- **Full-Time Office** - The employee spends all of their time in the office or on site, with rare exceptions
- **Hybrid** - The employee is tied to and located near a physical office, and spends part of their time working remotely or from home, and part of their time on site or in office. This also includes workers who would have been eligible for partial work from home arrangements
- **Full-Time Remote** - The employee is not tied to a physical office, and spends all of their time working remotely or from home.

To illuminate how the confluence of remote work and mobility continues to evolve, Worldwide ERC has built upon its groundbreaking 2021 research, in "Remote Work: The Road To The Future," with a new, in depth study that brings together the voices of over 500 CHROs and other senior HR leaders, as well nearly 100 corporate mobility leaders. Overall, we find that:

- Remote work is driving employee mobility
- Global Mobility's role is more critical than ever
- Remote work is hybrid work
- Mobility is now for the entire workforce
- Core HR policies, including compensation and benefits, are staying the same.

Within the following pages, we will explore each of these findings in more depth, examining the drivers and practical implications of this major shift in the human resources and mobility landscapes.

Remote Work Is Driving Employee Mobility

A little reported on, and underappreciated phenomenon, is the extent to which the experience of widespread remote work operations have actually increased organisations' willingness to utilise travel and mobility for business purposes. Early in the pandemic period, many were predicting that the remote work experience and overnight adoption of teleconferencing technologies would permanently reduce travel and mobility as a business tool. While this seems intuitive as a cost-saving measure, most leaders have realised that teleconferencing is no substitute for in person interaction, whether that is for internal collaboration or finalising relationships with an important client. The logic then seems clear: meetings that are critical for the success of the organisation need to be in person, but day to day communications within the organisation can happen remotely. The typical employee can spend more time on the road, meeting with colleagues and clients while keeping in close contact with their leadership and wider organisations. And in fact, more than half of senior HR leaders (61%) are more likely to send employees to new locations, either for business travel or longer-term relocations and assignments. A preponderance of corporate mobility leaders (81%) reported that they were more likely, or about as likely, to utilise travel and mobility.

Global Mobility's Role Is More Critical Than Ever

Execution of varying policies - for full-time remote work, hybrid work, and full-time on-site work - incorporates the efforts of several HR specialist departments. Both senior HR leaders and corporate mobility leaders reported cross functional teams having a hand in the successful creation, direction and administration of remote work policies, with global mobility, tax, payroll, finance, total rewards, compensation

and benefits, immigration, and general human resources all contributing to the conversation. Study results indicated:

- For creation of policies, mobility and general HR play the greatest roles
- For directing policies, responsibility is mainly split between: mobility, tax, total rewards, compensation & benefits, payroll and general HR
- For administrative efforts, senior HR leaders see all human resources functions taking a role, while mobility leaders see mobility, payroll and general HR administering policies.

Function reported as being involved with creation, direction or administration of remote work policies:

Remote Work Is Hybrid Work

When COVID-19 appeared on the scene, remote work transitioned from an occasional option for a handful of individual employees to the new normal for many organisations. In recent months, however, the situation has once again evolved, with remote work becoming less common than employees working in a hybrid capacity. Senior HR leaders report a small minority of their workforce will be permanently, full-time remote in the future, with the average respondent saying 11% of their workforce will be remote. Most surprisingly, the median respondent said that 0% of their workforce will be remote, with slightly over half of respondents indicating they will have no full-time remote employees. The vast majority of the workforce will be tied to a location and office, either as a full-time office or hybrid worker. This is a notable lowering of remote work expectations from just a year ago, when Worldwide ERC research of a similar audience ("Remote Work: The Road To The Future") showed that senior HR leaders believed 96% of their workforce would be somewhat remote, down to ~50-54% today.

With hybrid options becoming popular, organisations have had to devise flexible schedules to meet employee and employer needs. For those employees who work on a hybrid scheme, the most common option was two days in the office and three in a remote worksite.

Traditionally, organisations implemented "work-at-home" policies when specific individuals indicated a need to work from home due to personal or family circumstances. The pandemic offered employers an abundant opportunity to rise to the unexpected challenge of increased

remote work to demonstrate agility, innovation, and quick-thinking. To support the reality of a distributed workforce, human resources had to develop or rewrite policies, programmes, and approaches to ensure employee safety and tax compliance, determine appropriate individuals for remote work, and potentially adjust pay and benefits. While some of these considerations continue to exist, the move away from remote work requires another review, as indicated by participant responses.

The majority of senior HR leaders confirmed that they made a shift in corporate talent acquisition policies and practices (82%), as did 74% of corporate mobility leaders. Both senior HR leaders and corporate mobility leaders were consistent in agreeing on the priority of reasons for implementing any policy and practices changes. In order of priority, the rationale was:

1. Improve talent retention
2. Improve talent acquisition
3. Provide employee flexibility
4. Reward high-performing talent
5. Create a more globally aware and connected organisation.

The changes involved consideration of diverse hiring practices - most often, acquiring candidates from new locations where the company already has employees on site.

Along with alterations in talent acquisition approaches, leadership in most companies also reconsidered how they retain existing talent. As above, the majority of senior HR leaders replied affirmatively (78%), as well as 68% of corporate mobility leaders. The most popular change in methodology for both groups was to allow employees to have more flexibility and control over their individual work schedules.

When determining remote work decisions, whether pure remote or a hybrid option, company culture is a driving force. As one participant explained: "Our company stance and culture is live where you work and 100% in the office". Beyond that, leadership evaluates a number of factors, such as the importance of the employee's specific job responsibility and the function itself, the level of required teamwork, client interaction, training, and the impact on the employee's current and future development. Corporate mobility leaders offered a number of additional perspectives as to how they made individual decisions, such as proximity to sales territory and the information handled by the employee (for example, if security is needed, the employee is required to mainly work in the office).

As cited above, the numerous factors that combine to determine optimal use of work scenarios are complex, generally referring either to the individual, the job, or the location. Respondents reported that the employee's job function is often the primary determinant, with tenure and location the least significant.

"The great resignation has added another layer to the war of talents; therefore, we must be mindful about how to address the needs from employees wanting to work remotely from home to retain and attract talent. In the last two years, remote work has proven that it is not a bad work arrangement post-Covid-19 pandemic, so long as we have agreement for hybrid workers to meet and greet to discuss work matters when it is absolutely necessary".

Mobility Is Now For The Entire Workforce

A strong majority of senior HR leaders reported a further major change in policy, in that they created, or were considering creating, major new mobility programmes. Such programmes would allow temporary voluntary mobility - whereby employees could request a move to another location for short-term professional and personal experience.

A full 81% of senior HR leaders have created or are considering creating such programmes, with 39% having created them and 42% considering them. Corporate mobility leaders stated similar responses: 37% have implemented these programmes, with 33% thinking about their options. Most respondents - senior HR leaders (83%) and corporate mobility leaders (70%) - would typically consider the application if an office or permanent establishment was present in the requested location. Although a step down from the commonly discussed "work from anywhere" policies of a year ago, this still implies a major embrace of employee mobility.

These programmes commonly allow the employee to move to a new location where the organisation has an office or other presence for between 30 and 45 days. The most exciting aspect is that by and large, these programmes are open to the entire workforce that can perform their job from a different location, encompassing most all professional positions.

Anecdotally, Worldwide ERC has heard from organisations that have received thousands of employee applications for such programmes since their introduction. With up to 81% of organisations creating or considering creating such programmes, this suggests a massive increase in the number of mobile employees across the world. While these programmes are often bare bones in terms of traditional relocation benefits, there will still be risk and compliance factors, as well as administrative costs borne by the corporate mobility function.

Fundamentals Of Remote Work

The complexities of tax compliance for a distributed workforce creates specific challenges. To meet those challenges, expertise, whether in-house or external, is

a necessity for grasping the ins and outs of the tax implications for both the employer and employee. Further, a temporarily remote employee can cause tax reporting and withholding complications in various locations, some of which require non-resident employers to register and withhold tax for an individual working in that area. And finally, a review of the tax presence or nexus of a company is necessary to ensure consistent and comprehensive tax compliance.

Common business activities that can trigger international Permanent Establishment or US Nexus for taxation:

- A fixed place of business, address, bank account or other physical presence
- Activity by employees in country that directly relates to revenue creation
- A sufficient time frame to trigger PE under local law or a tax treaty
- Actual control and direction of the employees' activity by the parent company in a location.

Some organisations allow employees to work in locations in which they do not have permanent establishment. In other words, they allow employees to work in places where the organisation itself is not established for tax and legal purposes. Corporate mobility leaders, well versed in cross jurisdiction compliance issues, are much less likely to report allowing current employees to work where the organisation does not have permanent establishment (5%) than their senior HR leaders (56%). It is likely that corporate mobility leaders are more familiar with the intricacies and risks of such a move, while senior HR leaders are more aware of the potential benefits in helping their business partners with such flexibility.

Legally administering employment when there is no permanent establishment creates its own set of difficulties. Many companies, therefore, seek ways to address the situation, including:

- A professional employer organisation provides HR solutions to small and mid-size companies by directly employing staff and then leasing them back to the client organisation
- A new legal identity extends the entity's type of business to a new location: corporation, partnership, sole proprietorship, and so on
- A global employment organisation centralises employment contracts in one jurisdiction and corporate owned entity
- An employer of record is a third-party legal entity that acts as an intermediary in an existing employer-employee relationship.

The most common method for senior HR is to establish professional employer organisations, while corporate mobility leaders prefer using an employer of record.

When companies do implement any of these alternative entities, they use the

resources of either in-house staff, external experts, or a combination of the two resources to address the complexities inherent in these options. Senior HR leaders generally prefer the use of in-house resources when it comes to establishing a new legal entity. Corporate mobility leaders often request assistance from both in-house resources and external experts as they may be more connected to partners in this area owing to their broader mobility responsibilities.

Managing and overseeing the employees in such locations - where no permanent establishment exists and companies have implemented alternative options - requires specific tools or technology. Most respondents utilise an internal system: Senior HR leaders (79%) vs. corporate mobility leaders (41%). Fewer respondents implement third-party tool/technology: Senior HR leaders (44%) vs. corporate mobility leaders (26%).

Core Human Resources Policies Continue

Earlier in the pandemic period, many organisations undertook substantial reviews of their total rewards frameworks and approaches, with a focus on: salary, variable compensation, and health and wellness benefits. If large portions of the workforce were going to be permanently remote and location no longer mattered, then a fundamental rethink of human resources policies was in order. With the emerging consensus that the vast majority of the workforce will continue to be location based, either full-time in office or hybrid, we observe that organisations are returning to previous practice. More specifically, both senior HR leaders and corporate mobility leaders reported core human resources policies, such as compensation and benefits approaches are not radically changing.

Compensation

The basis for pay structures can be global/HQ, national, regional, or local - with participants reporting a national basis as the most common. When an employer decides to implement a pay structure with a different basis, the majority do so - 51% for senior HR leaders and 79% for corporate mobility leaders - as a result of having employees working in different countries and regions. Only one-fifth use the employee segment or level as the rationale.

A majority of senior HR leaders (57%) are considering changes to their compensation structure to meet the unique challenges and opportunities afforded by a remote and hybrid workforce, the same trend is evident for only 25% of corporate mobility leaders. That said, the changes considered fall well within standard compensation frameworks and methods. We speculate that the

disparity between senior HR leaders and corporate mobility leaders is that workforce wide compensation changes, particularly changes in strategy and approach, come at the highest levels of leadership, while corporate mobility more commonly has a hand in compensation and benefits for the smaller, mobile, portion of the workforce.

With regards to remote employees' compensation, organisations are considering several options - with most participants, as expected, tying remote pay structures to the current pay model in use for other employees. A minority of organisations are making more radical changes, such as more forcefully embracing location-based pay with the creation of new compensation bands.

Compensation determinants:

- **Cost of labour** - the "going rate" for a position based on experience, responsibilities and skills
- **Cost of living** - the rate for a position that takes into consideration local costs of goods and services, housing and taxation.

When determining compensation levels and changes, human resources professionals generally turn towards two pieces of data: the cost of labour and the cost of living. Both pieces of data are commonly combined in a compensation determination, as it is relevant to know both what a job typically pays in a market, as well as if that "going rate" will actually cover the living costs that an employee will face. Without careful consideration of each metric, organisations can generate increased employee turnover and acquisition costs through underpaying, or excessive costs through overpayment. Cost of labour continues to be the most commonly used piece of data, with 64-80% of senior HR leaders reporting using it to determine employees compensation levels for different workers. That said, cost of living is a close second, with 48-53% of senior HR leaders utilising such data.

Benefits

Beyond compensation, benefits play a significant role in total rewards, representing a key part of what makes the employee experience a positive one. With the increase in remote and hybrid workers, companies had to consider adapting benefits packages to fit a new landscape of employee needs. Changing benefits based on the employee's locations is not, however, common: only 52% of senior HR leaders replied affirmatively, that they had changed benefits, compared to a mere 5% of corporate mobility leaders. The most common benefit that was delivered differently was professional development, as reported by 71% of senior HR leaders. For corporate mobility leaders, 67% made changes to wellness benefits and the same percentage did so for benefits related to an employee's home office setup/equipment.

Not only do respondents hail from diverse regions across the globe and serve successful organisations, they represent a variety of industries

Methodology And Demographics

Worldwide ERC® launched a survey to better understand and gain insight into how senior HR leaders and corporate mobility leaders have handled remote and hybrid work practices and policies. The following data comes from a global panel of 516 senior HR leaders (CHROs, directors, and managers) and 92 corporate mobility leaders. We strove to represent the diverse, global group of professionals who have a direct role in the implementation and oversight of their organisations' work programmes.

While senior HR leaders were distributed roughly evenly over all regions - North America, Latin America, Europe, and Asia Pacific - the majority of corporate mobility leaders represented North America.

Along with their geographic diversity, many serve medium to large-sized enterprises, bringing in as much revenue as \$1 billion. The majority of senior HR leaders work for companies that have a workforce of 1,000-5,000 employees. Most corporate mobility leaders represent companies with a workforce greater than 10,000 employees.

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The top three industries represented by senior HR leaders were:

- Professional Services
- Technology
- Government Enterprises.

The highest percentage represented by corporate mobility leaders was technology.

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