

The Growing Pains Of Flexibility:

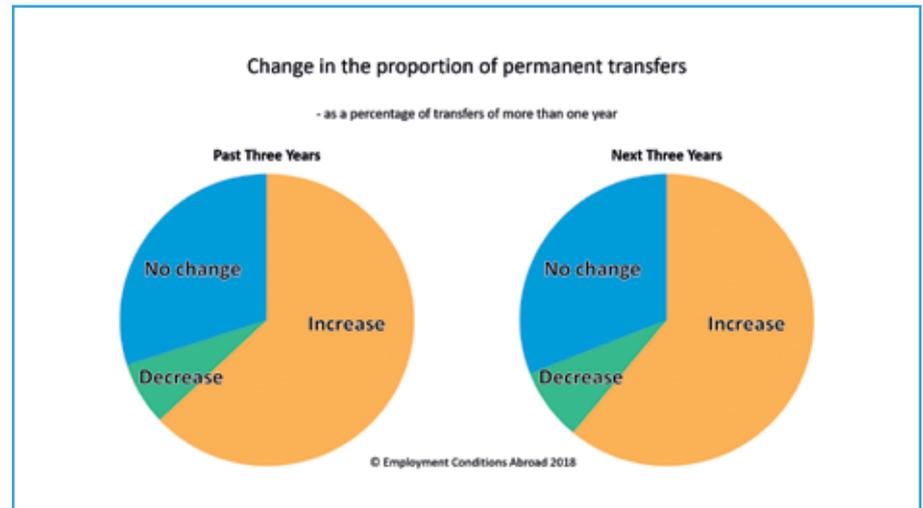
Is The Continuing Drive To Replace Long-Term Assignments With Permanent Transfers Taking Its Toll On HR And The Employee?

The rise in popularity of the permanent transfer looks set to continue. In the **Employment Conditions Abroad (ECA) 2018 Permanent Transfers** survey, it was reported that the number of international transfers lasting more than one year had nearly doubled to 40% over the past four years. Companies' expectations are that this may persist for at least the next three.

Long-term assignments are being replaced by a more agile and flexible approach. A recent survey showed that 45% of companies are using flexible programmes, as opposed to traditional long-term assignments, and that they expect this trend to continue. This is a reaction to the changing realities of the future of work, the evolution of employee expectations, their desire to self-serve, and the availability of remote working technology. It is also important to note that the future of work may pose unforeseen challenges.

Along with business-level drivers to deliver cost reductions through technology, the popularity of the permanent transfer is likely to remain. However, the growing business expectation that this policy should be the go-to option for millennial preferences needs to be carefully monitored. The employee-centric approach should not be limited to the initial relocation experience, but should consider current and future interactions and expectations as well. The initial success of empowering the employee can be later tempered by frustrations and a need for further employee support. With the increased willingness of employees to change careers more frequently, poor experiences will significantly decrease retention rates.

The role of the global mobility team therefore, remains vital to ensuring that the business is furnished with the relevant information to recommend an appropriate policy. Currently, evidence is building to suggest that over-reliance on the permanent transfer approach, often with core-flex elements is stretching the employee and support teams in new, unexpected ways. This is taking its toll, negatively impacting employee experience and ultimately distracting from the success of this and any future relocations. Unless



this trend is checked, there is a danger of replacing the one-size-fits-all long-term assignment policy with an equally ineffectual and restrictive alternative.

Long-Term Policy:

A fixed term assignment (usually up to 3 years) where base compensation and taxation are linked to the home location. Typically, the employee will be provided with repatriation assistance. Where possible the assignee is kept in their home pension scheme and social tax system. Generally, this approach offers a rich assignment package with an expectation of higher standard of living whilst on assignment than in the home location, and is therefore reserved for more senior employees.

An Agile Permanent Transfer Policy:

A transfer or an assignment of undefined length where base compensation and taxation are linked to the host location and the responsibility of the individual. Typically, the individual will not be provided with repatriation provisions and will, where possible, be removed from home pension schemes and put into host social security system. Generally, this approach offers a lean relocation package with a selection of benefits for the employee to choose from whilst remaining within a fixed budget. There is usually the expectation of transitioning to a similar standard of living whilst in host location. This approach is therefore best suited to self-motivated individuals irrespective of seniority.

What Is Being Replaced?

The traditional long-term assignment policy has several consistent features and has been the bedrock of the policy portfolio for many years. A core element includes keeping the employee tied to their home location through links to base compensation and home location tax systems on the assumption that the employee will repatriate after a fixed period. Key to this is keeping the assignee in both their home pension scheme and social security system whenever possible. Historically, significant assignment benefits have led to a higher standard of living whilst on assignment than in the home location, despite the concept of tax equality with the home net income.

This approach has become increasingly irrelevant for a demographic of assignees with an expectation of mobility who are motivated less by an enhanced standard of living as by the opportunities to travel and grow their international experience.

Known Positive Consequences Of The Agile Permanent Transfer Approach

In contrast to the traditional long-term assignment policy, an agile permanent transfer policy is usually linked to the host compensation model and is best utilised by a population whose ties with the home location can be easily severed. The clear advantage of this approach is the opportunity to reduce and control the actual relocation and associated tax costs of a relocation. The complexity of calculating and estimating the cost of the relocation is also reduced due to the removal of the concept

of tax equalisation, shifting the tax burden from the company to the employee.

Due to the choice of benefits provided, often accompanied by an option to 'cash out' a percentage of the relocation budget, this approach is designed to significantly reduce the number of exceptions requested as part of the initial policy. With the 2018 US tax reform removing the historical tax benefits for companies covering relocation costs, the previous disadvantages of cash payments is reduced and this approach is even more widely relevant.

In a mobility environment where the emphasis is increasingly placed on listening to and empowering the employee, the agile permanent policy approach seems to be an effective solution for talent attraction. The concept that employees are able to determine and select benefits in accordance with their perceived priorities is easy to understand and communicate to both the business and the employees.

Known Negative Consequences Of The Agile Permanent Transfer Approach

The message of simplification and flexibility widens the appeal of relocating to a broader assignee profile. This has expanded the use of the permanent transfer approach beyond filling perceived skills gaps and operations management, to addressing strategic purposes. However, this view can be too simplistic and prone to short termism, leading to a reduction in that talent's future mobility. Whereas a permanent transfer is more appropriate when there is a straightforward job that needs to be done, an assignment is better suited to instances where a strategic goal or company value needs to be delivered.

Despite the belief that all employees are keen to be empowered through self-service technology, this is not always true and comes with an associated administrative burden. The increased reliance on this approach, in addition to the removal of personal relocation support, has significantly increased the time required for the employee to dedicate to planning and researching their relocation. Combined with the reduction in perceived and actual support (which is often limited to the single year of transfer), the employee can divert significant time and resources into the relocation experience and away from actively participating or preparing to participate in their new role.

At least in the first period of a relocation, the company is able to maintain their compliance and immigration obligations. However, the limited scope of this control in the first year is quickly lost, leading to a latent exposure as this population expands.

Individual compliance concerns also arise when tax support is limited to only the year of transfer. The employee can delay or avoid learning about a tax system, and often fail to

adequately prepare for when that support expires. Where there is a future compliance failure or investigation by the local authorities, the employee expectation is often that the company will provide additional support. This can lead to unexpected costs if approved by the company, or a poor employee experience, and even assignment failure if support is denied.

Correlation is often drawn between a tech-savvy population and being more readily mobile and self-sufficient. This is then extrapolated to determine that when these individuals relocate, they do not need the support offered by a traditional fixed-term, benefit-rich package, but are better suited to an agile, one-way relocation of undefined length. In many articles and policy discussions, the diversity within this group is also not considered, and the ageing of the millennial population born closer to 1980 than 1999 is also ignored. On the other extreme, there is evidence that the number of variations of policies, referred to as policy segmentation, is increasingly trying to fill this gap and suit each demographic need. AIRINC, for example, reports an average number of policies per company as 4.4 in 2018, compared with 3.4 in 2011. Is this evidence that flexibility is creating and not reducing complexity?

Acknowledgement of the impact of business drivers to reduce costs have long been cited. However, many younger people also took steps to reduce their personal commitments. They controlled costs by delaying the stages of life which would previously have dissuaded them from easily relocating to another country, such as buying a house or having children. Although this mobile-ready population still exists, the older, tech-savvy but less mobile millennial, now also forms part of the workforce. The delay in forming bonds with a home location for many who are considered part of the millennial demographic is over, and the family and financial ties to their home location are now as relevant as for the more traditional expat. The idea of the "readily mobile" millennial appears to be quickly becoming an outdated concept.

The Impact Of The Real World

Capping the budgets associated with permanent transfers is also leaving employees vulnerable to real world variables. A traditional long-term assignment is benefit-driven, defined by the benefit and not the cost, and therefore reasonable variables were not considered. Due to the timing of a business need or immigration realities, the actual start date may be out of the control of the assignee. Relocation necessities such as flights or temporary accommodations may increase in cost, decreasing the budget available for other relocation-related services.

The Uncounted Cost Of Flexibility

Whilst self-managed and self-directed relocations provide choice to the employee, they can be challenging and chaotic for those involved. The associated reduction in ongoing support and initial counseling can also lead to a lack of understanding of the best use of the total costs. This will inevitably result in negative employee experiences where budgets are exceeded, in turn impacting future willingness to relocate with that company.

Where the employee is self-directing their budget, the company loses some control and the employee may make decisions that do not reflect company priorities. Low-budget choices can result in unsafe or non-guaranteed accommodations. Likewise, selecting a low-budget household goods removal company could result in unreliable service. Inevitably there will be a variable employee experience due to these individual employee choices. Consistency in delivery is often a core driver of policy harmonisation, and can suffer as a result of relying on this alternative, flexible approach.

What Else Is Lost?

- **Specialist Knowledge:** Limiting support to technology without the specialist knowledge from management, HR or global mobility teams risks the loss of benefiting from experience. Without these resources to lean upon, the employee may undervalue and not select services that most contribute to the success of an assignment. Although it is possible to communicate recommendations through a web portal or form, this may not adapt to the employee situation to adequately suggest the appropriate approach
- **Reporting:** Once an employee is transferred to the local population, previous standard tracking of relocated individuals and associated reporting is also lost. Available data points and contacts are less clear and the ability to gain meaningful data is reduced. This can also translate to organisations as a whole losing sight of their expensively obtained internationally experienced workforce
- **Tracking:** The transfer of an employee may also be accompanied by a transition internally of company responsibility away from the expertise of the Global Mobility team to a more central HR function. This increases risk for potential complex future issues e.g. future business travel, visa renewal or sequential moves when the employee is part of the host population.

Re-Evaluating If The Perm Transfer Approach Should Be The Way Forward

In essence, the time it has taken to introduce and popularise the agile permanent transfer approach has narrowed the population to which it will appeal. With a rise in the first-time buyer mortgages evident in 2019 (in several major

labour markets, including the UK), the increased use of the lean permanent transfer policy may inadvertently reduce, rather than expand the pool of potentially mobile employees.

The appearance of flexibility and the increase in use of this approach will inevitably need to adapt to growing and changing expectations. This leads to the potential for multiple varieties on a theme which is difficult to track and monitor.

The move away from the traditional assignment model also works to break the relationship with the home country, including the move-out of the home social tax and home pension scheme. The consequences are unlikely to emerge until much later in the individual's career.

Conclusion: What Does Growing Up Look Like? Steps To End The Growing Pains

- Recognise that the trend to move towards the permanent transfer approach is choice-driven and not inevitable. Continue to question the use of all policy types to ensure that the most appropriate policy is used
- Periodically review and analyse policies and relocation success using long-term measurables such as post-relocation retention to ensure that the true value and cost of a relocation is tracked
- Ensure that the value of the role of counselling the employee is measured, and that it is clear that it can not be replaced in its entirety by technology. Recognise the value

of internal company expertise to support appropriate employee choices and to help to avoid expensive compliance failures

- Educate new business stakeholders on the importance of total cost considerations when selecting policies. Highlight the cost, safety, and employee impacts where technology becomes the only solution considered
- Continue to respond to and embrace new challenges of the changing employee demographic, expectations, and requirements
- Finally, identify new reporting and tracking required to better identify future policy needs. Collate new relevant metrics that can help to understand the impact of using more permanent policies. Ensure that you are not overly reliant on the permanent transfer approach and ensure that your company is looking at new ways to support attracting, relocation and retaining employees.

Steps To Mitigate Unintended Consequences

- Recognise limitations of self-service technology and how investment in hands-on support can improve employee experience
- Expand policy documentation to define scope of support in all areas including post relocation duty of care obligations
- Expand mandatory/core benefits to include elements important to company to result
- Educate relevant stakeholders on policy suite rather than automatically accepting use of permanent transfer approach as default

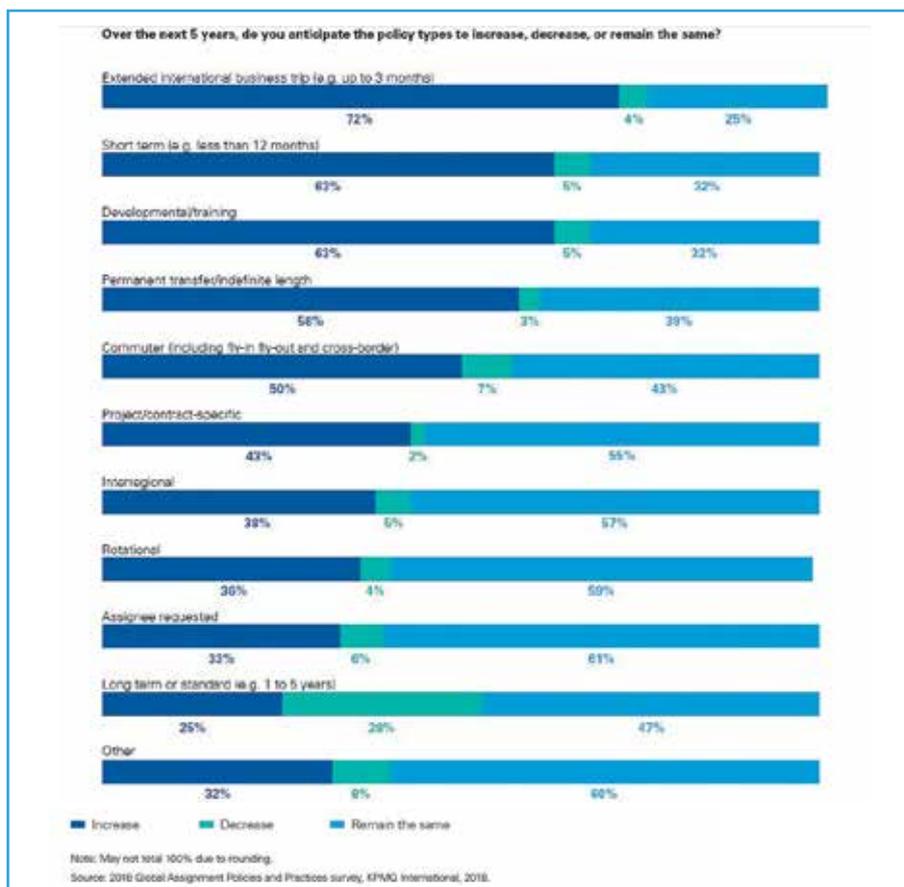
- Prepare for increased post relocation planning and tracking
- Define and deliver analysis of meaningful feedback to further refine approach.

Top Trends To Track To Identify If Your Policies Are Having Unintended Negative Consequences

- Rise in repatriation requests
- Lack of career progression for relocated individuals
- Relocated individuals leaving the company
- Increase in exception requests
- Poor employee feedback
- Decrease in overall mobile population diversity (age, sex, family status)
- Increased need for ongoing, out of scope support for in country individuals
- Tax compliance issues raised due to number of trips home to maintain links with home location.

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