WHITE PAPER

SANTA FE
RELOCATION

Mobility programme cost optimisation

Contents

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Executive summary

As the world starts to prepare for a sustained recovery from the COVID-19 pandemic, organisations that operate internationally, will be actioning or planning to action their growth goals into 2021 and beyond.

There has not been an even impact across all sectors. Some have flourished, others have struggled but remained sustainable, achieved by repurposing the organisation and rebalancing their portfolio, whilst some unfortunate others have declined or gone into receivership.

Irrespective of organisational fortunes, it is evident that the future will require Global Mobility programmes to be digitally leveraged with systems and processes enabling international talent and their business leaders to have fuller transparency on the cost and value of investment in international work arrangements.

In this paper we explore the significant areas of opportunity for optimising effectiveness and identifying cost saving initiatives. We principally focus on three areas of visible cost savings and also highlight some of the invisible, indirect cost drivers such as employee retention following investment in an international work experience.

There are three principal direct areas to assess and evaluate

1	**Programme management**
2	**Individual employee relocation/assignment costs**
3	**Employment tax and social security planning**

Additionally, we also explore *indirect costs* and the potential implications of employee turnover, where this international talent is sub-optimally managed. Whilst the current COVID 19 pandemic will undoubtedly create more twists and turns, organisations must continue to proactively adapt and evolve in these circumstances to future proof themselves and transform for tomorrow's world. Whilst mobility volumes remain suppressed in the immediate short term there is no better time for mobility functions to undertake a programme review and secure buy-in from leadership!

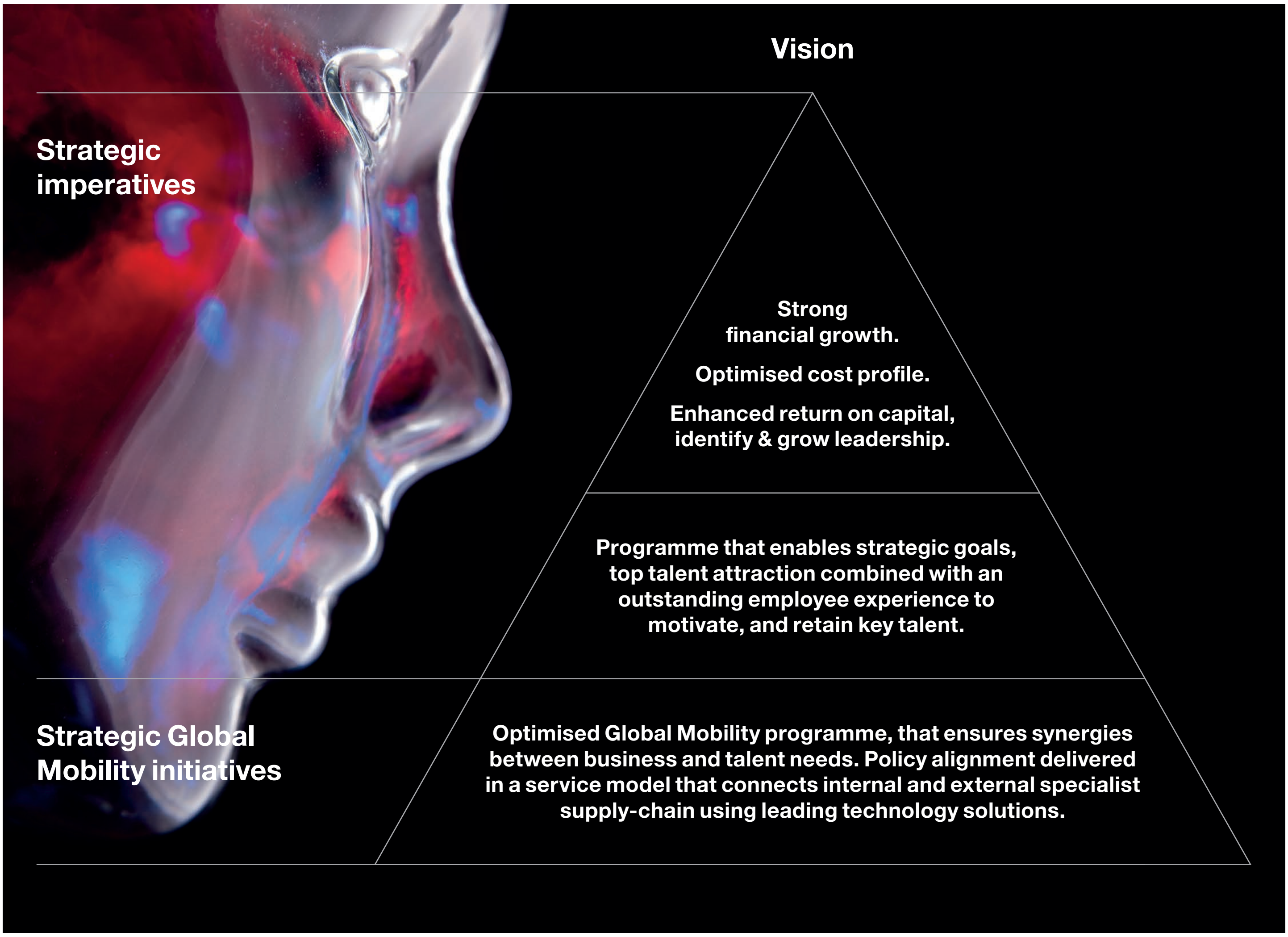
Successful transformation could be simply having a full understanding and awareness of total Global Mobility costs, as will be highlighted in **Fig. 3**, the resourcing model, technology opportunities and having a full inventory of all suppliers. Or it could be the identification of a raft of robust cost saving opportunities that might involve consultation with business leaders and generalist HR, especially if the programme provides generous packages and those on international assignments are a long-standing community.

Finding the right balance will be very different for each organisation. What is clear is the need to move past simply benchmarking to guiding what is best for the organisation–move away from being descriptive about comparators to becoming more prescriptive about how to optimise the effectiveness and cost profile from a future design aspect fit for your business.

Optimising Global Mobility programme costs

Organisations who deploy their talent across international borders recognise that regardless of the programme size it is an increasingly complex and costly process.

Fig. 1: Optimising mobility alignment



Strong financial growth.

Optimised cost profile.

Enhanced return on capital, identify & grow leadership.

Programme that enables strategic goals, top talent attraction combined with an outstanding employee experience to motivate, and retain key talent.

Optimised Global Mobility programme, that ensures synergies between business and talent needs. Policy alignment delivered in a service model that connects internal and external specialist supply-chain using leading technology solutions.

Global Mobility programmes are designed to enable the implementation of business strategy from design to delivery, as we illustrate in Fig. 1. There are, however, layers of complexity given the number of internal and external stakeholders in home and host destinations.

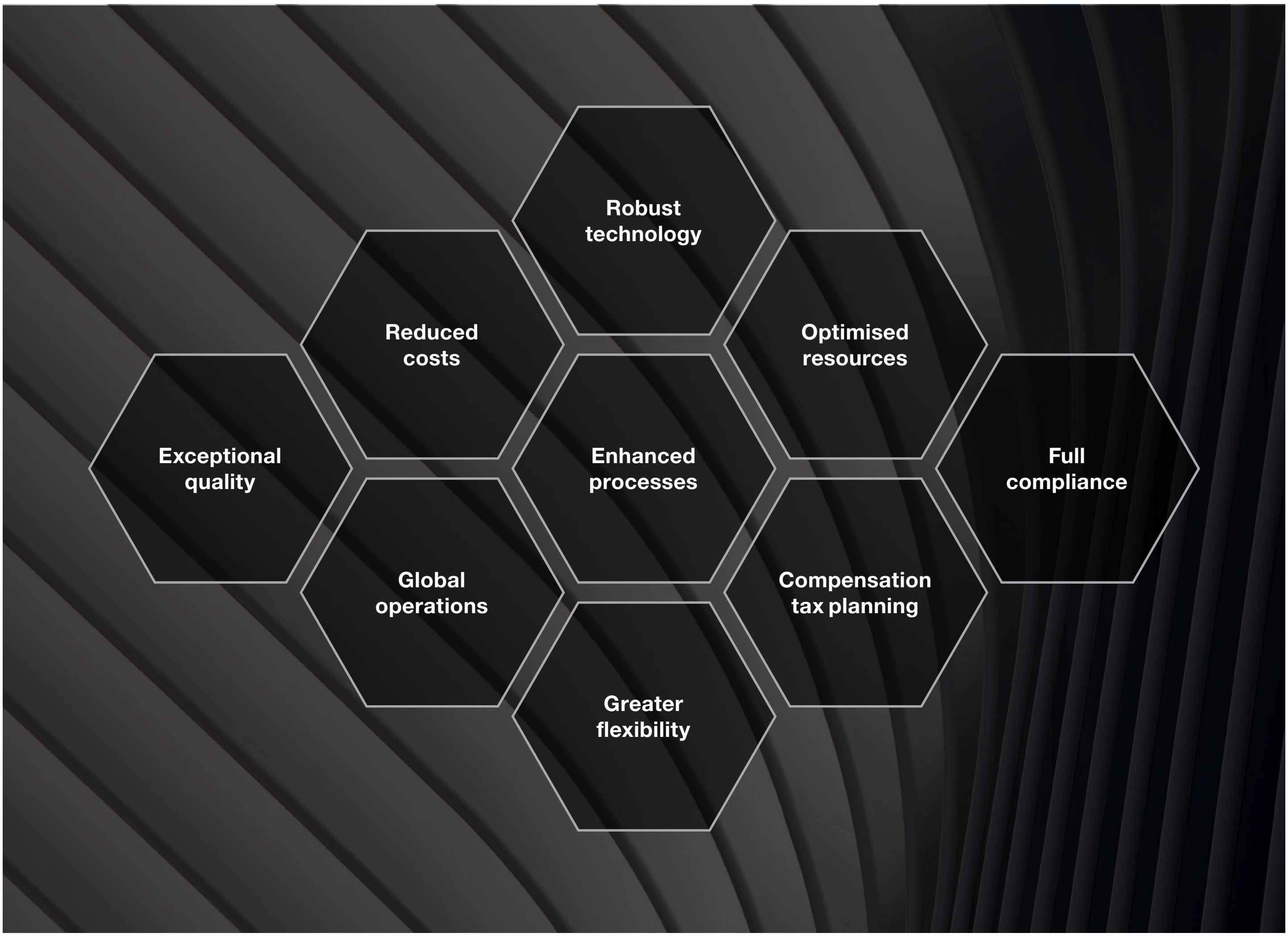
Optimising Global Mobility in a post COVID-19 world

Organisational strategic priorities and outcomes are unique to the culture and purpose of each organisation–public or private. The economic and operational pressures of the pandemic have seen organisations being pressure tested, which has created a dynamic to accelerate and reshape their purpose, either to survive or maximise the growth opportunities, depending upon how the pandemic has impacted their strategy and business outcomes.

Key international talent initiatives for 2021 are likely to include building talent pipelines through leadership development and identifying smarter, faster, and more cost-effective ways of managing international talent deployment. Total cost optimisation is not achieved with a one-dimensional approach–creating a cost optimised mobility programme requires an holistic approach to assess the impact of transforming each element of the Global Mobility programme, **Fig. 2**, to reflect the organisation's unique purpose, culture and desired outcomes within its external environment.

Transforming each element creates cost advantage but understanding the interdependencies between the elements, how they work together as an ecosystem enables cost reduction on a different scale. Example: Data in mobility is everywhere, across all areas and elements. Enabling better quality reliable data through reduced effort will deliver more attractive cost saving opportunities.

Fig. 2: Total Global Mobility programme effectiveness



An optimised Global Mobility programme that drives cost saving opportunities

Cost optimisation strategies

Cost optimisation is not a one-dimensional process of simply reducing assignment durations, cutting relocation packages, localising expats, hiring the lowest cost supply-chain and shifting operational work to a low economic labour cost location.

When procurement and leadership describe total programme costs, these are often focused on the micro costs (e.g. the direct relocating employee operational costs) and not the macro costs of supporting the Global Mobility programme (e.g. the internal staff costs, overheads and systems that connect with external suppliers).

Cost management initiatives can often focus too much on the here and now–cost reduction. How do we take 5% off last year's spend? The most effective approaches also focus on the future and cost avoidance. Not focusing on a compliance aspect today may reduce costs today but potentially creates much increased penalties, interest, resource, and management time in the future. These costs and potential irreversible reputational risk to the company can be avoided by action today.

Shareholders, stakeholders, and owners focus on return and value

Globally mobility is driven by business need. That business need will almost always have quantifiable returns. More revenue, increased margin, reduced risk, increased customer satisfaction.

A one-dimensional approach looks at cost in isolation

A more rounded approach sets cost against value and return. If by mobilising an employee to Singapore with an incremental cost of £150k a year, then secures a customer account *at risk* with £4 million of revenue and £2 million of incremental net profit margin over three years, that incremental cost now seems essential. Incremental cost directly delivers incremental business benefits.

The real considerations should be

Instead of asking "Why is mobility costing us a lot of money?"

Focus on "Are we actually spending wisely to create business value?"

And "Are we overlooking a competitive advantage?"

Truly effective transformations create solutions that also fit the culture and purpose of the organisation and are not a cut and paste exercise to replicate initiatives in other sectors that may be totally different to their desired outcomes. In Prof. Dave Ulrich's recent research[1] into organisational guidance systems, he makes the case for moving beyond benchmarking and descriptive actions to focus on prescriptive interventions.

> **Benchmarking that leads to using best practices has been and will be a fundamental approach to improving human capital, but to reinvent HR, we need to build on that work and meaningful pivot to guidance…**
>
> **Instead of talking generically about the latest HR trends in (fill in the blank: employee experience, digital HR, agility, HR design, etc.), business and HR leaders can prioritise and invest in specific HR initiatives that create, deliver, and capture value.**

Professor Dave Ulrich
Speaker, author, professor, thought partner
on HR, leadership and organisation

The three principal areas in which to identify total cost optimisation

1	**Programme management**	How organisations structure their service model combining people, process and technology to support the international talent mobilisation, including the internal and external supply-chain of specialists.
2	**Individual employee relocation/assignment costs**	Business case (people investment), policy type which drives compensation, over-base allowances such as cost of living indices, assignment/relocation host/arrival country conditions including housing, schooling and other policy elements such as cultural and language training.
3	**Employment tax and social security planning**	Effective tax and social security planning should be factored into both the policy development and on-going operational delivery of relocation and assignment management solutions. These are explored in more detail in Appendix 1.

Cost optimisation potential

To illustrate the full potential for total cost optimisation, it is important to understand the cost profile of the total programme framework (See **Fig. 3**).

Opportunity?

As an illustration, a Global Mobility programme with a cross-border assignee population of 20 long-term assignees can cost €6 Million per annum in additional mobility employment costs. **Fig. 3** provides more detail on how this is segmented from a cost perspective. Employees undertaking international work arrangements (assignments, commuter arrangements and some categories of international projects) are likely to be an expensive but highly valuable employee population.

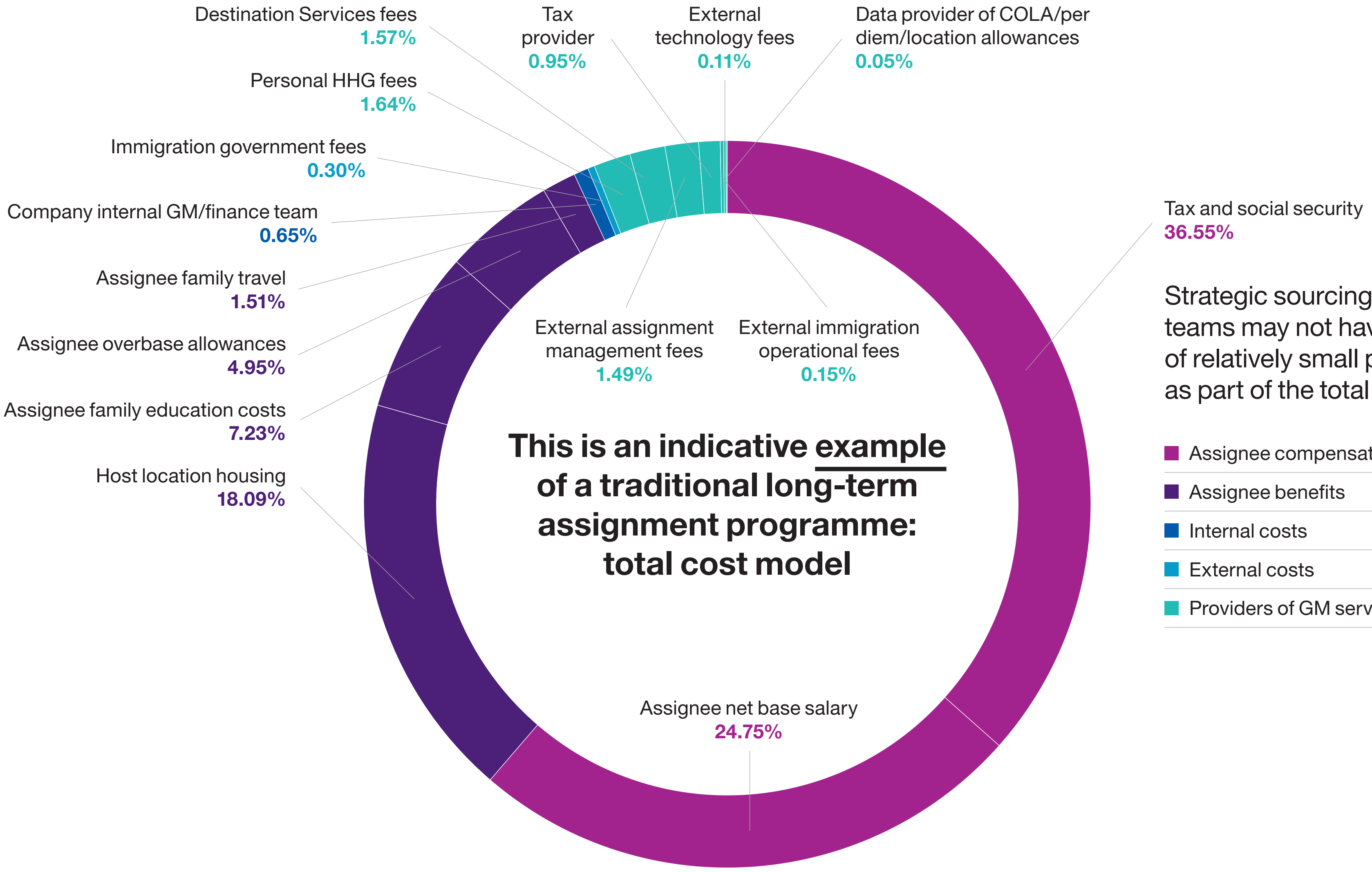
In some cases, this cost information is known at local level but not consolidated and presented at group Board level. Creating a more transparent awareness of talent investment and talent performance will increasingly become a necessity in supporting organisational growth and optimising effectiveness.

However, optimisation is not always all about cost. We see in **Fig. 4** that there are timing and supply-chain interdependencies and the end goal is to enable talent to feel engaged and motivated in their new roles. If cost becomes a principal driver over quality of experience (no-one would ever state this, but it could become a reality) this could be counterproductive.

Total programme optimisation, therefore, is a balance between smart working, effective supply-chain and applying the right talent policies. Having real-time analytics to track and assess the cost investment is key to Global Mobility teams demonstrating on-going value to their internal stakeholders.

Fig. 4 illustrates a structural Global Mobility framework, linking individual employee relocation and assignment costs with their supporting programme management cost profile. Total Global Mobility programme costs should include everything, not just the assignees' costs.

Fig. 3: Total programme costs—example using a sample programme of 200 long-term assignments



Strategic sourcing and procurement teams may not have oversight of relatively small percentage costs as part of the total programme.

🟪 Assignee compensation	61.30%
🟪 Assignee benefits	31.78%
🟦 Internal costs	0.65%
🟦 External costs	0.30%
🟩 Providers of GM services	5.96%

Figures are rounded to two decimal places so total may not add up to 100%.

Fig. 4: Optimising the total costs of Global Mobility programmes

🟨 Key cost optimisation areas

Corporate governance

Deploy the right GM framework

Business drivers and mobility alignment—local/plus or assignment?

Talent/enterprise drivers

+ Positive employee experience.
+ Empowerment and ownership of the developmental and business experience.
+ Flexible alignment of personal needs and expectations with policies.

Deliver enterprise Global Mobility support in the right way

Review your delivery organisation and supply chain for service and cost effectiveness

Insource/outsource support services?

+ Internal roles: strategic or operational?
+ Full time equivalent (FTE) including Global Mobility, HR and finance.

Service model

+ Local, regional/global.
+ Scope of services e.g. does it include International foreign hires?

Systems and technology

What is the capital cost to buy and on-going operational licence fees?

+ No system, internal system/Excel or external specialist system?

External supply-chain services

Optimal? Pricing, quality, global footprint—are there synergies?

Local, regional/global—why, who decides and the criteria?

+ Relocation management coordination services.
+ Compensation & International payroll services.
+ Expense management.
+ Immigration services provider.
+ Tax services provider.
+ International payroll providers.
+ Destination services including cultural & language services.
+ Household goods.
+ Data services provider.
+ Technology licence/advisory fees if using external technology.

Optimise direct assignment costs

Consider the right assignment benefits and allowance and leverage tax and social security planning

Policy application

+ Policy exceptions.
+ Core/flex/managed lump sums.
+ Assignment/relocation conditions.

Compensation/ additional allowances

+ Salaries, taxes, over base allowances e.g. hardship, foreign service premia, cost of living.

Assignment/relocation conditions costs

+ Education, housing, resettlement, partner support.

Supply-chain support costs

+ Relocation management coordination.
+ Data—COLA, housing allowances.

Tax planning

+ Proactively apply tax and social security planning to assignments.

International talent investment case.

Human & financial capital analytics/talent, performance, costs.

Systematic data tracking: Programme costs & international employee costs.

ROI of international talent investment.

Optimisation initiatives

Having shared the key considerations for optimising costs, next we provide a comprehensive review of focus areas in establishing the optimal Global Mobility programme to align with your organisation's purpose, desired contribution from Global Mobility and in so doing, highlight areas of potential cost savings and efficiencies.

1. Programme management

How organisations structure their service model combining people, process, and technology to support mobilisation.

Resourcing model

Optimising the roles and value contribution of all stakeholders that engage in Global Mobility.

Repurposing the role and focus of Global Mobility

Often, transformation of Global Mobility can form part of a wider People Transformation plan driven by leadership. Equally, Global Mobility transformation may be a discrete focus on that part of human resources. Identifying those roles and activities that should be delivered inside the organisation and those that could be better delivered by an external specialist partner will be part of the evaluation.

As an example, in **Fig. 5** we highlight the views of Business Leaders[2] of the roles and value drivers that they would like Global Mobility to focus on.

Prior to any transformation process, here are key questions to assess the current situation, in preparation of ideating desired future programme design.

Team resources, ratios of staff to international deployments

+ How is the internal Global Mobility team currently structured?
+ Is it fully dedicated to Global Mobility or are they hybrid roles?
+ Team roles today and near future?
+ Shifting competencies–does the organisation want the GM team to refocus on strategic initiatives? (**Fig. 5**)
+ How many relocations are managed by each team member?
+ Will an external specialist partner(s) provide a more flexible model to align with changes in demand?
+ What is the true number of people supporting the GM programme, including local HR, payroll, finance etc?
+ What is the scope of responsibilities, for example does it include all relocations, including international hires?

International business travellers

+ Is compliance management and co-ordination of international business travellers within this remit?
+ Are business travellers being considered as an addition to Global Mobility's brief?
+ Who is accountable and who is responsible?
+ What systems manage the process?

Opportunities

+ What is the internal Global Mobility team's core purpose today and in the future?
+ Co-develop a Global Mobility plan with internal stakeholders to establish what value and contribution is required over the next two to five years, bearing in mind the talent development and acquisition strategy. Is this predictable or likely to be more reactive to changing business and organisation priorities?
+ Establish the full cost of internal employees supporting Global Mobility–all fixed and variable costs, including the cost of long-term retirement provisions for employees, annual leave and training and development costs.
+ Establish a balanced full comparison of a fully loaded resources cost model.
+ What roles could be better delivered by an external specialist and what is core to the organisation that should sustain organisation culture, values and knowledge of legacy decisions on policy and talent?
+ How can the organisation maintain leading edge practices and knowledge to deliver the right experience for all stakeholders?

Fig. 5: Business Leaders' view of where Global Mobility spend most time and should spend most time

Programme delivery: service delivery model and digitised systems

Make it easy on yourself

Operationalising a Global Mobility programme is a very complex set of interactions that involve large numbers of internal and external actors. There can be conflicting interests and objectives. For example, organisations want to deploy their talent across international borders quickly to implement agreed strategies and projects. Nations want to ensure that their homeland policies support employment for their citizens and collect all revenues from organisations who operate in their country at a corporation and employee level. Non-compliance in either sending or receiving nation can be financially and institutionally serious from a reputational risk standpoint as well as the risk of having their trading licences revoked.

Global Mobility teams need to control and co-ordinate multiple stakeholders both internally and externally and of course, the relocating employee and their family unit. Cost saving opportunities are therefore a function of having clarity on how the organisation wants to set up their programme, defining the re-sourcing strategy and the supporting technology platform. As well as determining what activities are managed inhouse, consideration of technology is important. Do you invest in buying or licensing specialised mobility software, or do you prefer to have access to an external provider's system?

Global/regional/local?

Part of the cost optimisation initiatives should include decision making on whether there is a necessity to have co-ordination from one location globally or have regional or indeed local presence. While a local HR or Global Mobility employee may *enjoy the work* and make representation to maintain the need for a local presence, this may be an opportunity to streamline processes, use technology to ensure real-time transparency, so that the local service provider can maintain contact with a regional or global coordinator and thus ensure a more holistic overview of operational delivery.

The trade-off too, is that organisations have a duty of care and establishing quality standards and key performance indicators for supply-chain will ensure a balance between competitive pricing and quality.

Supply-chain

A significant cost saving opportunity lies in evaluating the end to end Global Mobility supply-chain. We explored this in **Fig. 3**. Procurement specialists often focus on the specific brief from their Global Mobility internal clients. There are some procurement teams who do understand and can enumerate the whole cost model. Part of total cost optimisation is an assessment of whether or not there are suppliers for each aspect of the international relocation process who can offer a global, regional, or local service.

Apart from establishing key selection criteria such as scope, transparent pricing, quality, credentials, systems, business continuity it is also very important to reflect on the communication and time resource challenges of having multiple providers for one or more service lines.

Consideration must be given to

+ Accountability.
+ Quality– consistent standards.
+ Transparency.
+ Advisory support.
+ Systems support.
+ Analytics.
+ Sustainability.
+ Ethics and code of conduct.
+ Process excellence integrating with other Global Mobility related services.

Analytics

A business case for change that presents a story without data and insights, remains a story. A business case with analytics and insights becomes a compelling reason for leadership to invest time considering the proposal.

Ultimately, the ability to systematically capture and report on financial and talent data, combined with qualitative evaluation of external supply-chain should drive more visibility and engagement with leadership. It is therefore essential that qualitative and quantitative information is available, in a real-time environment.

Whether the data focuses on feedback on employee experience, forecast cost versus actual cost, performance against KPIs, etc., it is essential that the solution is part of a wider transformation process.

As an example, in Santa Fe Relocation's Global Mobility report, REPURPOSE: Challenging Change 2020/21[3], the biggest barrier to the provision of data to the wider business highlights[2] why transformation needs a holistic approach and not a silo approach of buying technology or looking at team roles without broader analysis.

52% Lack of time/resource available to collect data.

47% Difficulties accessing data needed.

39% Limited budget to collect data.

35% Knowing the right data to provide.

29% Leadership is not convinced about value of certain data.

Reflecting on the total programme cost profile in **Fig. 3**, there are opportunities for Global Mobility teams to have increased business engagement by demonstrating financial analytics to support their more strategic and advisory roles. In Santa Fe Relocation's Global Mobility report, REPURPOSE: Challenging Change 2020/21[4], Fig. 15 provides striking evidence that financial reporting could open different and more informed discussions between GM and their business and functional stakeholders.

Global Mobility and HR participants reported

54% More than half of Global Mobility teams may not be providing total Global Mobility programme costs to their leadership.

74% Almost three quarters of Global Mobility teams may not be providing a comparison forecast estimate cost with actual total assignment costs to their leadership.

Business Leaders reported

45% Almost half do not receive data on total programme costs.

58% More than half of business leaders are not receiving data on comparison of forecast estimate cost with actual total assignment costs to their leadership.

2. Policy/benefits and costs:

Individual employee relocation/assignment costs

International talent investment plan–creating a business case[5]

- How are formalised international work arrangements established?
- Determine the purpose and desired outcomes, who will benefit from the investment? What is the return on investment (ROI)? Selecting the right mobility policy category is critical to determine the type of policy application, the preferred candidate profile and whether the arrangement is a one way permanent/indefinite relocation or a temporary assignment for up to three to five years maximum.
- This can be supported with a full cost forecast based on the policy type and other factors such as duration, family size.

Benefits

- An audit trail with executive authorisation.
- If original executive sponsors move on, there is business continuity.
- Clarity on why the assignment or relocation has been initiated.
- Transparency for all stakeholders to assess on an on-going basis, the value and reason for continuing with the deployment.
- Measure performance against business case.
- Ability to track original forecast costs with actual costs.

Implementing greater scope to widen mobility opportunities to more talent and enhance diversity and inclusion outside of existing talent pool or first choice thinking by regional or divisional business and HR leaders also helps dilute the negotiation that often increases cost without the corresponding increased value.

Which Policy type–what investment profile does the business case support?

As suggested in the international talent investment plan, GM teams can ensure that policies are aligned with the organisation drivers and explicit for whose benefit?. These fundamental decisions can optimise the compensation/allowance approach, relocation provision and ensure equity through clarity of purpose and intent.

Exception requests

Exception requests should be minimised, which requires appropriate governance to be established. This could be to minimise the cases where the business seeks to support additional allowances or unreasonably influence a reduction of relocation packages to save on their own budgets that could impact their personal performance assessments

Governance over policy decisions can only be effective where there is systematic tracking, analysis and approvals awarded by the agreed internal leadership. This of course, connects to programme management, in terms of local, regional, global processes and systems to ensure that any exceptions are timely addressed, approved, and reported in periodic GM talent/programme reviews.

Fig. 6 policy framework highlights that organisations can effectively achieve two important outcomes

1. Right policy for the right business and or developmental assignment or one-way deployment.
2. Ensure that the costs associated with each investment are appropriate, consistent, and transparent.

In the past, policies were time based short-term or long-term, and while duration is important, the ability to differentiate the why, what and for whose benefit, enables Global Mobility professionals to create value in the talent and pre-planning discussions of projects.

Establishing the right compensation principles is essential. If the employee becomes a critical resource but the departure and arrival country reward and cost of living conditions vary significantly, this can be a talent barrier and even worse, a retention issue as the employee seeks a competitor willing to hire the valuable resource. The wrong compensation approach adopted upon relocation can indeed be a barrier to localisation without the significant costs needed to *buyout* the incremental assignment package costs.

Fig. 6 Policy framework–context for exploring business and talent drivers

Aligning policies with talent/business drivers

High

Employee development value

Development experience (STA/LTA)

Employee profile

- Hungry and inquisitive—self developers.
- HIPO future stars—Gen X/Y.

Policy

- Flex model (may help to prioritise criteria).
- Local plus (possibly no mobility/housing premia).
- Requires expectation management.
- Development focus.

Main beneficiary

- Employee with some cost sharing.

Recent innovations

Graduate rotation programmes
(Young Gen Y (masters degree) and Gen Z)

Strategic/overhead assignments (LTA)

Employee profile

- Global leadership/potential—Gen X/Y.
- Global HIPO plus performance at mastery level.

Policy

- Balance sheet plus capped housing/education or local market rate in mature economic market plus housing/education.
- Resettlement allowance.
- Prepare for leadership and retain.

Main beneficiary

- Shared—company and employee.

Recent innovations

International local hires
(one way)

Gig workers/third country nationals
(core skills)

Commuters
(can sometimes be personal choice)

Global experience

(One-way company or employee initiated)

Employee group/profile

- Lower cost talent (economic base).
- Volunteers looking for global experience.

Policy

- Local-to-local.
- Marginal initial support.

Main beneficiary

- Employee

Skilled position experience

Employee group/profile

- Consistent high performer.
- Deep technical/management skills/competencies.
- Custodian of organisational culture and values.
- Could be Gen X/Y and/or Baby Boomers looking for new challenges (less encumbered with work/life obligations).

Policy

Short/long-term/project based expat—Lite/local plus.

Main benefit for company/some employee.

Main beneficiary

Company with some benefit for employee.

Low **High**

Business value

Host country conditions–areas of cost saving opportunity

Considering the total cost pie chart in **Fig. 3**. there are several areas of opportunity to cost optimise the Global Mobility policy conditions. While these can emotive, an objective assessment and review into these elements could potentially yield significant savings, without impacting the assignment experience.

Education

Is the automatic default that the organisation will fully fund private education or is the public system adequate enough for the relocating children based on their stage of education?
Are there opportunities to revisit the scope and different policy type to mitigate this?

Housing

What is offered, what location, what data levels for accommodation and who will sign the lease?

Cost of living

Which data is used?

Hardship location allowances/ quality of life allowances (QUOLA)

How are these defined for the organisation, have these changed? Does it fit with the organisation culture?

Foreign service premiums

Why? How does this fit with the talent strategy?

Relocation and settling in allowances

How much and scope of items to cover?

Household goods policy

How do they align with the policy type and the host conditions?

Temporary accommodation

How does this align with the whole relocation process?

Core/flex or lump sum policies

One approach to manage costs and influence employee experience is the introduction of more flexible policies. Some common objectives in creating a flexible policy include:

+ Reducing exceptions.
  - Effective cost management.
  - Increasing choices for the business or for the assignee.

Considerations

For certain categories and sectors, a cash lump sum approach provides employees with the discretion to purchase relocation services. While this may seem a simple solution to ease mobility co-ordination and a desire a simpler approach, there needs to be due diligence to ensure that it delivers the right employee experience. There are pitfalls if this is not effectively managed, which are highlighted below.

While the intention is to empower the employee to self-service their own needs and reduce administration, it can have the inverse effect and impact the employee engagement experience.

In reward philosophy, it is clear that providing an employee with funds to manage their relocation is not a bonus or variable reward payment–it is not linked to performance. Human nature though, can often outweigh rational thinking that these funds are to enable an effective, smooth relocation to start a new role.

Cutting corners on using the necessary range of services and looking for lowest price suppliers, which may impact the quality and experience of the service.

Lump sum approaches are more frequently adopted for international foreign local hires and in this population, many never have relocated before. New destinations, changing compliance laws and differences in everything from housing markets to cultural trends present new challenges that the employee may not anticipate.

To avoid quality or exception requests for additional funding (where the employee has miscalculated their allocation of relocation services), a managed lump sum approach ensures that professional guidance is provided at the beginning and throughout the relocation process.

3. Employment tax and social security planning

It is evident in **Fig. 3** that tax and social security represent the largest cost for an assignment, particularly in relation to the additional tax that organisations bear in paying the cost of housing, education, and other taxable assignment elements. The gross up effect is a key reason for the fact that a business-driven long-term assignment can cost a multiple of three or five times of the employee's base salary.

In Santa Fe Relocation's GMS Report 2020/21, in the special feature section[6], we provide examples of the tax planning opportunities, which in the example provided saved the organisation €192K for one employee assignment over a three-year period. For this reason, the development of new policies or cost optimisation projects benefit from the involvement of tax specialists.

The Appendix provides additional analysis on tax saving considerations

Examples of how specialised tax reviews can create value include

Assessing the impact of delaying or accelerating the start of an assignment to take advantage of the annual tax reporting cycles in the departure and arrival destinations.

Identify policy elements that can be optimally delivered based on home/host regulations e.g. Housing arrangements–deciding whether a cash allowance or housing paid directly by the organisation is tax optimal.

Provide illustrated examples of which tax principles to adopt–either globally, for example tax equalisation or for certain locations, tax protection and in other cases a laissez-faire approach.

Social security planning is equally important. Dependent on the country combinations, there could be potential to save thousands every year, per assignee, without prejudicing the employee's home country contribution record.

Advise a business how best to structure assignments in order to mitigate corporate tax risk i.e. the creation of a permanent establishment.

Indirect costs

We referenced at the beginning of this paper, the impact of indirect costs that are often a function of how well the Global Mobility programme adopts an integrated approach to talent management by all relevant stakeholders (home, host and headquarters) to effectively protect and optimise return on investment.

Return on investment can be multi-dimensional in terms of period of time to recognise the payback from the investment and the ripple effect of who benefits. Imagine an expatriate seconded to another research facility and the outcome is a new drug that protects millions from potential death. In this case, there is clearly personal growth, organisational growth, and societal growth. Not everything is as clear but not being able to retain talent through poor engagement and misalignment can see valued talent leave for the competition. The starting point for protecting the investment in deploying international talent, should be the international talent investment plan–creating a business case, referenced on page 16.

Indirect costs case study

A case study to illustrate the indirect cost implications.

A high potential executive, destined to potentially become the next regional CEO in three to five years, undertakes a two year assignment to another region to widen their business and functional expertise and deepen their agility in understanding, connecting and leading multi-cultural teams outside of their geographical comfort zone. The forecast investment is $2 Million over two years, factoring in base salary and additional grossed up taxable benefits for self and family.

The relocation experience for the family is the real start in engaging the executive and their family.

In this example, it doesn't start very well, with several elements of the relocation process having issues: broken personal effects, poorly prepared temporary accommodation and a lack of cultural briefing, leaving the husband, who is the stay-at-home partner, becoming distressed and feeling isolated. This is resolved through additional support from a local destination services consultant, but it has left a bitter experience for the executive and their family.

Effective performance and talent planning

Between the Global Mobility team, the corporate HQ talent team and the home and host HR business partners, there is a lack of communication on how the executive has integrated, their performance and any potential areas to be addressed.

Host country business management are resentful at having been forced to accept the executive and their additional costs–this benefits the group, not my P&L, thinks the host country CEO. There is a lack of mentoring by the host CEO and the seconded executive is having second thoughts about why they accepted this in the first place. It's placing a strain on her marriage and health.

There are analytics available, which are sent by Global Mobility, but these focus on demographics, such as lease dates, immigration renewal dates, but not on-going assignment costs versus forecast, performance, and talent assessments from the host CEO.

Talent planning within this organisation is more informal and based on network and personal relationships, rather than structured talent/performance, grid-based codification of performance and talent potential.

The executive on assignment, feels aggrieved that the promises made before the assignment aren't happening and is undertaking their own talent planning when the assignment is over.

Talent acquisition

The seconded executive has maintained contact with a university alumnus, who works for a competitor back in the home location. She shares her frustrations with her friend and is worried about her next role.

The university alumni friend contacts their Chief People Officer (CPO) to highlight the potential availability of her friend on assignment.

Checking LinkedIn and with their own network, the CPO discusses the situation with his CEO. They like the career experience and success record. The CEO asks the CPO to fix up a zoom call via the alumni friend.

The competitor's CEO spends the next month on a series of calls with the assigned executive and offers them a senior role when they return from assignment in three months' time.

Post assignment

The executive and family return from assignment and the executive takes up her same job that she left two years ago.

Her boss and HR say that they are pleased that she had the opportunity to work internationally but at the moment, there were no suitable roles to move her to and that she should be patient.

The competitor CEO offers her a job, she resigns and leaves immediately as she is placed on garden leave.

What price for the indirect cost?

- Cost of the assignment $2M
- Cost of hiring a new executive $Ks?
- Cost of lack of business continuity $Ms?
- Cost of developing a new executive $Ks?
- Opportunity cost of the executive not being fully focused on their assignment business objectives.
- Opportunity cost of the executive who left creating substantial shareholder value as a future Regional CEO.

Conclusion

Direct and indirect costs need to be considered as part of the overall Global Mobility programme, highlighted in **Fig. 4**.

Having connectivity between all key stakeholders–mobility, HR, talent, business leaders is critical, as are analytics that enable both qualitative and quantitative assessments.

Recognising that people are an investment not a cost is critical to embed a mindset that focuses on pro-active retention–and attraction, as other disaffected internationals seek better career paths and organisations that offer more than financial rewards.

As organisations are repurposing themselves post pandemic, so too must the internal support teams that facilitate international work arrangements.

Summary

We opened this paper by highlighting that different sectors and their Global Mobility teams will be in different phases of their business cycle, some significantly prospering more than others. Irrespective of the organisation fortunes, it is very clear that the future will require mobility programmes to be digitally leveraged with systems and processes enabling international talent and their business leaders to be able to have fuller transparency on the cost and value of investment in international work arrangements.

We have indicated that there are three principal areas to assess and evaluate

1. Programme management

2. Individual employee relocation/assignment costs

3. Employment tax and social security planning

Whilst the current COVID 19 pandemic will undoubtedly create more twists and turns companies must continue to proactively adapt and evolve in these circumstances to future proof their organisation and transform for tomorrow's world. Whilst mobility volumes remain suppressed in the shorter term there is no better time for mobility functions to undertake a programme review and secure the buy in from leadership!

Successful transformation could be simply having a full understanding and awareness of cost, the resourcing model, technology opportunities and having a full inventory of all suppliers. Or it could be the identification of a raft of robust cost saving opportunities that might involve consultation with business leaders and generalist HR, especially if the programme provides generous packages and those on international assignments are a long-standing community.

Finding the right balance will be very different for each organisation. What is clear is the need to move past simply benchmarking to guiding what is best for the organisation - move away from being descriptive about comparators to becoming more prescriptive about how to optimise the effectiveness and cost profile from a future design aspect fit for your business.

Optimise your Global Mobility programme

Please email **consulting@santaferelo.com** to organise your exploratory session with a member of our consulting services team. We look forward to connecting with you.

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1. HR's reinvention, Moving from benchmarking and best practices to guidance. The RBL Group. Ulrich D., Smallwood N., Todd R. Jan 2021. **2.** GMS 2020/21, REPURPOSE: Challenging change. P. 21, extract from Fig. 6: Business Leader's view of where GM spend most time and should spend most time. Santa Fe Relocation. Palmer J., Rason J. et al. **3.** GMS 2020/21, REPURPOSE: Challenging change. P. 36, Fig. 20: Barriers to the provision of data to the wider business. Santa Fe Relocation. Palmer J., Rason J. et al. **4.** GMS 2020/21, REPURPOSE: Challenging change. P. 36, Fig. 15: What data do Global Mobility teams provide to the wider business? Santa Fe Relocation. Palmer J., Rason J. et al. **5.** Global Mobility ROI, The bridge of credibility. Santa Fe Relocation. Rason J., Renshaw P. Autumn 2019. **6.** GMS 2020/21, REPURPOSE: Challenging change. P. 72 & 73: Special feature section, It's not all about the money. Jangra D., Crowe.

Appendix 1. Tax saving considerations

Taxes are often associated with complexity and compliance–difficult areas of the mobility process. It is also, however, an area through which substantial cost savings can also be accessed. Awareness of the Global Mobility related tax planning (tax breaks) opportunities that apply is a really important opportunity to add value for those involved in, and managing mobility. There can be very substantial tax savings, often savings for the employer under tax equalisation, so it is vital they are not missed.

How big can the savings be?

They can be very valuable. This relates in part to how tax equalisation works.

Tax equalisation is an approach that seeks to neutralise differences in tax rates between countries to promote employee mobility. The employee usually agrees they will continue to pay the same level of tax as their home country. This may be through a hypothetical taxes deduction. In return, the employer then agrees that they will settle the actual taxes due.

As the employer is settling the taxes due, the compensation becomes what is known as net. Tax rates that apply on net compensation are considerably higher because paying the tax for an employee is in itself a benefit on which tax is then again due. As a result, grossed-up tax rates apply.

Example

The top rate of income tax in the UK is 45%. If this has to be grossed up for tax and social security, then the tax rate becomes 89%. As a result, £89 of tax due by the employer would be saved if £100 of income/compensation can be removed from tax using mobility tax planning.

If £50,000 of compensation is removed then £45,000 of taxes are saved for the employer. If you have 10 employees to which this applied over five years, the savings could be £2.25 million! The savings could be even larger if social security planning was also taken into account

Who do mobility tax breaks apply to?

The rules differ from country to country so local tax expertise is a must. There are specific tax breaks that apply to globally mobile employees. There are also other tax breaks that were not designed for globally mobile employees, but they do apply to them. The tax breaks could apply to all forms of globally mobile employees including long term assignees, short term assignees, local hire employees, business travellers, directors, commuters, and those with regional or cross border roles.

What kind of mobility tax breaks are there?

The rules and conditions really do vary location by location. Having reviewed the relevant rules across the world, they fall into one of the following groups.

1. **Mobility tax concessions.** Talent attraction is key to a number of major economies. Mobility tax concessions provide preferential lower tax rates and/or significant exemptions from tax. China, Spain, Italy, France, Netherlands, Russia, Sweden, Portugal, Ireland are just some examples.

   There are usually specific requirements on the type of employee who can qualify, for how long and there may be procedural rules to consider (an application has to be made by a certain date in a certain way).

2. **Housing is a large part of the overall cost of a globally mobile employee.** Grossed-up for taxes it is even bigger! A number of countries have the concept of a temporary workplace or dual household cost which provides exemptions from local taxation for part or all of housing related costs.

   There are tax breaks in a number of countries for accommodation based on short term assignments. UK, Germany, USA are just some examples. Where you see short term assignments, review if the housing, travel and subsistence will be exempt and under what conditions to ensure cost savings are not overlooked.

3. **Pensions are a key part of a globally mobile employee's compensation.** A number of countries provide matching rules to exempt foreign pension earnings (employer contributions), if the plans broadly align with the local plans that qualify for local tax advantages. Checking how pension participation is treated locally for tax purposes should be a key step. Accessing and applying the local tax exemptions can really make a difference to the overall assignment costs.

4. **Non-host workdays/time apportionment calculations.** A number of countries will not tax compensation relating to duties not performed in the host location, provided certain conditions are met. Depending on the number of non-host workdays, this can be a significant tax saving. Think about how many of your globally mobile employees do not just work solely in the host location? Examples include UK, Singapore, China, Hong Kong, France, and India. This a key potential cost saving to explore when you know the employee will be working in more countries than just the proposed host location. It should be systematically reviewed to keep costs down.

5. **Tax efficient benefits delivery.** How particular compensation is delivered can change how it is taxed. Allowances generally tend to be less beneficial than reimbursements unless the allowances are paid in accordance with locally set tax-free limits.

   Some benefits in some locations can result in lower taxable values (different to the actual cost) if the employer directly pays or contracts for the benefit. This could apply for example to large costs like accommodation and education. It's important to check if this applies to all the costlier benefits forming part of a globally mobile employee's assignment package.

6. **Travel and home leave.** Travel to, and from, the host country and home can benefit from tax exemptions in a number of countries. Care needs to be taken to understand the local specifics. For example, are there time limits, limitations to the number of trips, or do they have to be reimbursed rather than paid directly by the employee or as an allowance?

7. **Business traveller exemptions.** Some countries will tax short term assignees or business travellers, but a number have specific short stay/business travel exemptions which have to be applied for and approved by tax authorities. Using these means that income tax is not due in respect of these trips. A theme of around 60 days emerges in some locations, Ireland, and the UK as two examples. There are also possible exemptions under tax treaties.

8. **Relocation expenses.** There are often exemptions for key relocation expenditure, shipping, temporary accommodation, replacement furnishings etc. A number of countries provide either specific reimbursement or lump sum allowances to provide these items are tax free or exempt. Checking the rules and then structuring the relocation support accordingly can be a good way of reducing assignment costs.

9. **Social security.** Social security rates vary greatly around the world. Employer and employee contributions usually apply, and it can be a significant cost aspect of mobility as employees are deployed and work across borders the rules that apply can change. It could be that an employee working outside their home country removes or reduces the social security due. Not understanding when these changes occur could result in unnecessary costs. Where social security is paid can also to some extent be driven by the assignment structure that is deployed–the length, the employer etc. Proactively reviewing these aspects during the planning stage can deliver savings.

10. **Tax policy and process.** Globally mobile employees trigger taxation costs that are often borne by the employer–payroll taxes and liabilities on tax returns for example. Unless good policy and process is applied the costs can't be proactively managed or legitimately mitigated. Example: most countries provide some mechanism to prevent double taxation. If tax preparation support and process is not enabled double taxation cannot be mitigated. It can be as simple as ensuring that the payroll taxes in the host country are correctly treated on home country tax reporting and then ensuring (through process) that tax refunds or tax benefits are correctly returned or refunded to the employer (and not kept by the employee). In some countries, doing this in the right way may also result in lower tax rates applying for the payroll taxes due by the employer.

What complications are there?

Local expert tax assistance is vital because although there are overall themes, the rules and process are always country specific. As a result, it's necessary to understand what procedural steps there are to consider, to ensure the tax breaks apply. There may also be particular claims that have to be made on an employee's local income tax return.

In short term assignments, there can often be ongoing tax considerations in two countries. As a result, care needs to be taken not to focus exclusively on one location only. What is tax efficient in one country may lead to a worse impact in the other country so it's important to keep an eye on the overall global cross border tax position.

Conclusion

Taxes due by employers for a globally mobile employee can be a very significant part of the overall cost of an assignment or cross-border work arrangement. Utilising mobility tax breaks is key in optimising the overall costs.

It is important for mobility professionals to be aware of these tax breaks to ensure the business doesn't bear unnecessary extra costs. Equally, its key to explore early on the requirements and procedural aspects so key set-up steps are not missed.

With special thanks to:

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Notes

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