

Managing The Risk Of Virtual Assignments

The recent global challenges around responding to the coronavirus (COVID-19) pandemic has created an upsurge in remote working, as quarantines and travel bans have impacted working patterns around the world.

Much has been written about the future of work and the impact of technological changes and demographic or generational shifts. Experience shows that once a change is forced, people do not always return to their old ways. So, increases in the use of video conferencing and travel restrictions will show people that their work can be less tied to location than ever before. And if you can work from anywhere, you can always be somewhere else.

The term Virtual Assignments has not been used that much until recently, but is now becoming more prevalent in the Global Mobility community, although there isn't yet an 'official' definition. The Santa Fe White Paper: The future of work and the impact on Global Mobility, part two, looked at the trends in assignments over the last several years and concluded that organisations were moving people in a different manner to how they had done it 10 to 20 years previously, with long-term assignments declining as short-term and commuter assignments increased.

In parallel, much has been written in the last 5 to 10 years about the trends in business travel and the way business travellers can trigger mobility-style tax and immigration risks as they travel frequently around the world. The same underlying risk arises with Virtual Assignments. Moving people in different ways can require old solutions to be used in new ways, or new solutions to be found to old problems. This article looks at how similar issues to business travel risk arise on Virtual Assignments, but in different ways.

Defining Virtual Assignments

Firstly, we should define what we mean by the term Virtual Assignment. Many international organisations now use virtual teams around the world to work on international problems or to manage regional or global business units in a multi-jurisdictional basis. Historically, someone assigned to one of these projects may have been moved on a long-term or short-term assignment basis to the head office or other office for the duration of that project

to work on it. Now, with the rise of video conferencing technologies and the increasing acceptance of working from home, there is not always the need to physically relocate that they had been previously. Someone working on one of these international teams may be working in a way that years ago, would have required an assignment, but no longer does.

However, just because they remain in their home country office and haven't physically moved, there may still be issues encountered that are similar to those that would have been if they had been sent on an assignment. In particular, these international projects may require cross-border travel or frequent business trips to another office in another country, which potentially include a regular work pattern of two or three days a week akin to a commuter assignment, but in the other direction. This means that it remains important to track immigration, tax, social security and labour law requirements in the same way as if that person had been physically relocated.

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business travel or commuter assignments because of the way the cost is potentially allocated or charged internally in the organisation. It may be common for the assignees cost to be recharged back to the central project team which means that the cost may be being born in the country where they are physically working only occasionally, which in turn is an insufficient number of days to establish that they have a local employer for tax and Social Security withholding purposes. The implications of this could mean that tax exemptions in the country of travel are no longer applicable, as the cost is borne by an employer in that country.

The Blurred Lines Of Business Travel

Business travel and commuter assignments are usually looked at from the perspective of the country from which the person starts their journey, making sure that employer's risk is managed. A Virtual Assignment passes the 'ownership' of the person and their risk to the country to which they have travelled, in the same way as if they had been assigned there. Thus, normal methods to identify affected individuals may not always identify this. As they are no longer under the management and control of their home organisation, they may stop being considered as an employee, especially if they are working more commonly at home and in regional travel, and thus rarely in their former office. However, they are almost never in the host office either.

Having someone travelling on a regular basis may mean that, for example, temporary accommodation or a short-term apartment let are used as an alternative to incurring frequent hotel bills. Which means that the usual provider of destination services for assignees maybe useful to use, to ensure that appropriate accommodation is sourced within the organisation's travel budgets. That may mean that they are considered to have available accommodation in that country, an indicator of residence in some markets.

If someone is expected to be in that place for some time, other assignment-type requirements such as language and cultural training may also be a good investment.

As the person has not been physically assigned under a Global Mobility programme, they are not always on the radar screen of the Global Mobility department in HR, and as a result, their compliance requirements and

personal needs may not always be registered or accommodated.

The additional complication comes when this situation is compared to home working or telecommuting (as it's also known). The rise in commuting travel costs and reduction in international airfares, the improvement in video conferencing technology, and the increasing cost of office space, has meant that over the last 10 years or so, organisations have been much more accepting of the concept of people working from home rather than considering it shirking from home. The sudden shift for home working this year (2020) also means that the last organisations that resisted this have also been forced to embrace it, and even if some go back to insisting on being office-based, many or most will not.

Organisations are starting to see increasing compliance exposure from home working where the location in which the work is being performed is not always clear. It may be tempting for someone who works from home on the Monday and Friday and is only in the office on Tuesday to Thursday to look at their life and consider that they could spend the long weekend somewhere abroad with lower property prices or a more benign climate. It has not always been much more expensive to commute by plane from halfway across Europe than to commute by train from 90 minutes to a major city outside of the normal working business hours. Where an organisation has an employee working from home for those long weekends, there isn't always a mechanism for them to capture when the employee decides that home will now be in another country, with warmer weather rather than it being a drive up the highway or motorway.

Once that employee owns a property in another jurisdiction and has a registered address there and starts to appear in e.g. the records of the local doctor or authorities, it may not be long before a question arises as to whether they are paying tax and Social Security. We have seen many cases where the home country employer is caught out, in a country where they have no physical presence and no business activity, other than the fact that one of their expensive employees has chosen to base themselves there. This situation may also apply where a virtual assignee is in another country, but recharged back to the cost centre or payroll of the central office. Organisations do need to be aware of the people they have and where they have them, even more than they have been in the past.

Use Of Technology To Manage Risk

Fortunately, technology is also useful here to manage the risk and exposure that it has itself created. Many business travel apps are

available, that can be used to ensure that employees monitor the countries that they are living and working in, to ensure that compliance exposures are monitored and identified, earlier rather than later. Some of those business travel tracker technologies can also link to a business visa application so that if someone requires business travel visas, applications can be made quickly and smoothly online to manage the exposure as an acceptable cost level.

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Conclusion

This article highlights the increasingly virtual nature of future working and the need for organisations to recognise the need for new future-proofed governance. Transformation that educates, empowers and enables organisations to maintain compliance, leverage data analytics and competitive advantages and not combative barriers.

For some, they will reflect that this is their reality today and have a leading position, for others it could be a nice to have and in another category business leaders do not

see the priority (unless an incident occurs, by which time the damage has been done).

We have seen over recent weeks how governments have reacted to the COVID-19 virus, taken action and set out to achieve a collective approach to effectively manage the pandemic. As the world continually reacts and adapts to uncertainty, shocks and unforeseen events, the ability of nations to communicate digitally will continue to advance. Once this particular COVID-19 pandemic has moved on, it will have left some changes in accelerating the idea that work is a thing you do rather than a place you go. Whether that's enough to cause a shift in assignment trends, will remain to be seen.

References and extracts from:

- Santa Fe Relocation's white paper: 'Managing the risk of virtual assignments'. Download the full white paper: <https://www.santaferelo.com/en/mobility-insights/white-papers/managing-the-risk-of-virtual-assignments/>

Visit www.santaferelo.com for more information.



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