Cutting Costs Or Cutting Corners? How Tightening Global Mobility Budgets Can Backfire In The Long Run

In the current climate, global mobility teams are under pressure to tightly control or cut costs. For many organisations, there are some easy wins and areas ripe for efficiency gains, but not every expenditure saving opportunity is a good fit for every organisation. It's also crucial to target cuts carefully; sometimes cutting in the wrong places ends up costing more, and spending and investing strategically can reap the biggest cost savings of all.

Policy

It might seem obvious to many that to trim expenditure on your global mobility programme, you should review your policies and make them leaner. But there are many different possible ways to do this, and the pros and cons vary. Let's look at a couple of common examples.

There has been a trend in recent years of companies looking at host-based packages for international assignees or looking at shifting away from assignments in favour of more permanent transfers (for which the standard pay approach is of course also host-based, as employees will be locally employed). Companies expect these options to save them money, but they could be in for a surprise if they implement either of these without proper impact analysis. If assignees are moving from relatively low paying countries to relatively high paying ones, it's possible that paying salaries based on the local market rate would in fact result in more expensive packages than the home-based approach would have. And, in the case of assignments, breaking the link to the home country's compensation structure could also make it very difficult to repatriate employees enjoying these more generous host-based salaries. On the other hand, for moves from a relatively high paying country to a relatively low paying one, host-based packages are a tough sell and unlikely to incentivise mobility. There is a real risk of creating a perception at your organisation that there are "good" and "bad" countries to work in – inhibiting a company's ability to get talent where it is needed, potentially with consequences for business strategy and performance.

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An even more recent trend is the one towards virtual assignments – the increased adoption of this type of mobility was necessitated by the Covid-19 pandemic but they remain in the GM toolbox as a policy type with cost saving possibilities. Virtual assignments, for those of you who are less familiar, are where employees perform a role for an entity in another country for a set amount of time, yet remain in their home country (typically). ECA's International Remote Work Survey found that expected cost savings are a key reason for allowing or promoting these arrangements (only talent management and retention was comparable in importance as a motive). Virtual assignments will usually cost less than a long-term assignment, since there are no relocation costs incurred by the company and no typical assignment-related allowances or benefits paid – but the additional costs of these are not as straightforward as you might expect and need to be taken into account. As a minimum, companies would generally want to ensure that the employee will receive the same net income as if they were working for the home business unit. But it's possible that the employee may be liable to pay tax and/or social security contributions on their income in multiple locations, or that the tax rate might simply be higher in the country which is the source of their income. Therefore, in order to deliver the same net salary that the employee received before the virtual assignment commenced, the company will need to tax equalise or tax protect the employee and meet any additional tax liabilities. As mobility teams will be well aware, any failures in tax compliance could result in costly fines and reputational damage.

Rather than moving towards different move types or pay approaches, some companies try to rework the compensation details of existing policies. Segmentation is one way to do this, where leaner packages are offered for assignments requiring less incentivisation. Employee-initiated assignments and those driven by the development of junior talent often result

in lighter, less generous packages while more generous packages are offered when there is an operational or strategic need for assignments or where the employee is senior. An example of this is giving a standard home-based package to more senior or essential employees and a light home-based package to more junior or non-essential movers. This might seem a logical approach, but can actually increase costs if the complexity of the policy causes more administrative burden for the mobility team – due to increased training required, reduced flexibility, increased risk of inconsistency and errors, and an increased difficulty communicating the policies to employees. Not to mention that segmentation could cause a perception of unfairness among those compensated less substantially, and resentment could affect morale, assignment and mobile work uptake and retention.

It's clear that businesses should not rush to slash budgets for mobile workers' compensation without considering the possible impact on talent strategy and business needs. Global mobility teams can conduct exercises to calculate the impact of policy changes on their mobile population's packages to identify major winners and losers and to quantify expected cost savings, allowing the business to weigh these up. Seeking external expertise and support with this, and to gain insight into best practice and market trends, could also be a worthy investment.

Software

It's not rare for digital transformation to take a backseat when budgets are tight. GM teams are often desperate to move away from spreadsheets and manual processes to automation but are told that there is no room in the budget, with the business seeing software solutions as "nice to haves". ECA's Global Mobility Now Survey backs this up; in every area of mobility except payroll, GM professionals have not been able to implement technology that they know would add value. And 60% of organisations attribute their lack of technology to a lack of budget.

Investment in technology is often an easy target for businesses when slashing budgets, but this can have serious unintended consequences for cost control.

Without software, operational mobility work like running salary calculations, cost estimates, pay reviews and producing contracts and letters are painfully slow – and as the saying goes, time is money. But this also comes with a high risk of human error, as all manual tasks do. A mistake in a contract can sometimes be minor, perhaps just causing delays and inconvenience. At worst, they can have far-reaching consequences for the company, such as tarnishing its reputation, blighting the employee experience which potentially risks the success of the assignment, and even triggering a personal data breach – all of which would incur substantial costs.

It's much harder to track your mobile employees without a system, especially when there's a local disaster or an international crisis. When the Covid-19 pandemic hit, some international companies were left scrambling, trying to work out where their people were and often needing to contact local HR teams all over the world, whereas those with software had a centralised source of truth to rely on.

But even day to day, knowing where your people are is particularly important when it comes to business travellers and remote workers. These kinds of internationally mobile employee are the ones most likely to present compliance risks. Knowing where your people are, for how long, is key – as is having a rules engine that provides automated tax, social security and immigration alerts. Failing to invest in this kind of compliance support means businesses are at a greater risk of financial penalties and the potential harm to revenues that comes with reputational damage.

It's not just insights into where your people are and what risks they pose that are lost without technology to help. When there is no investment in tech, it's very hard to get key intelligence about your programme – examples like estimated costs and actual costs, where the main traffic lanes are as well as any other trends and patterns, what would the impact of a policy change be, which expensive exceptions are happening too often...the list goes on. Without this kind of information, how can businesses run a targeted, efficient mobility programme and identify the best places to make changes?

It's clear that there is a strong case to be made that technology saves more money in the long-term than it costs in the short-term. It reduces costly risks and increases crucial insights and information that drive better decision making.

Data

Global mobility teams might be under pressure to cut costs when it comes to the data behind your compensation calculations. For example, the business may think the use of free, crowdsourced data to calculate cost of living indices is a viable cost-cutting option. This kind of data lacks reliability and consistency: baskets of goods are limited and inconsistent and don't reflect mobile workers' consumption patterns, data is often outdated and irregularly sourced while not necessarily being appropriately comparable, and there is little available explanation to justify index changes over time. If cost of living indices are inaccurate and inconsistent, this is likely to cause a lot of pushback. Assignees may find their purchasing power is not really being protected, and global mobility will likely find crowdsourced data difficult to defend due to the inconsistent and flawed methodology. Assignees may be left feeling like their pay package and their experience has come up short, and end up feeling undervalued and unsupported, increasing the risk of assignment failure and difficulty sourcing candidates for future business critical moves.

Investment in reliable, transparent third-party data and making use of available expert support is worthwhile to prevent these kinds of issues, which could ultimately cost the business dearly in terms of harm to the talent pool.

Key Takeaways

Rushing to slash budgets in global mobility can counterintuitively push up costs in the longer run – whether directly, or whether by causing harm to business performance, talent pool or objectives. It is key to undertake proper analysis of the impact of decisions before rushing into policy changes, ditching software investment budgets or cutting corners on data. Often investing in the short-term in the right resources and solutions quickly reaps rewards, efficiency gains and savings.

GEORGIA WILSON

Key Account Manager, ECA International

With over a decade of experience in the global mobility industry, Georgia advises major multinational companies on the latest mobility practices. She helps to ensure the effectiveness of clients' global mobility programmes by closely supporting them with their day-to-day challenges, policies, and the use and development of software solutions. To discuss anything covered in this article further, or any other issues relating to the management of your mobile workforce, you can reach Georgia on georgia.wilson@eca-international.com.