

# Look Before You Leap:

## Managing Global Mobility



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Cost projections are critical for planning and budgeting purposes.

# Introduction

Following strong broad-based growth in 2017 and early 2018, economic growth activity slowed down significantly in the latter part of 2018, though there are some signs of continued economic recovery in the second half of 2019. Through all of this change there is continued growth of international assignments and relocations across most business segments worldwide. Global employees' mobility continues to be an increasingly important business decision as companies expand operations in both traditional and emerging markets. Despite rising costs, increased government scrutiny of taxes and immigration, and other complexities, global mobility remains an integral component of the modern workplace.

According to Atlas Van Lines' 52nd Annual Corporate Relocation Survey, approximately 48% overall saw increases in international volumes last year and 47% expect to see increases in 2019. While projected increases appear to outpace decreases roughly 3-to-1, Brexit looms as a wild card.<sup>1</sup>

These findings and similar results from other industry surveys indicate that global assignments continue to be a business practice that isn't likely to fall out of favor in the near term. For this reason, it is critical that organizations ensure they are aware of evolving employee expectations, compliance issues, costs and benefits associated with various increasing assignment types.

This white paper discusses current trends in global assignment practices and looks at the costs, benefits and compliance concerns related to long- and short-term global assignments and permanent/host-based transfers, as well as other employer and employee considerations. Employers should carefully weigh these factors when determining the optimal assignment type for employees in order to make informed decisions that support the organization's immediate and long-range growth goals.

## Current Trends

Topics of concern about global assignments vary from visa and immigration restrictions and/or challenges due to protectionist governments, to tax laws with stricter regulations and currency fluctuations and security concerns to global benefits coverage. At the same time employers work to address these challenges, they face other ongoing pressures with political and regulatory issues, including, Brexit concerns, trade block treaty changes, the new EU audit regulations and FDI directive, as well as other recent political and regulatory developments that may affect how companies manage relocation. While they address these shifting demands of the global business environment, they also need to manage assignment costs and employee expectations, and ensure global compliance with multiple regulations.

With all of this complexity, why do more companies continue to go global? The reason is simple: to be successful in today's business world, employers must commit to developing new leaders and providing them with the required experience to expand traditional markets and grow new opportunities overseas, attract and retain top talent, fulfill the expectation of the next generation to go on assignments earlier in their career and continue to fill the need

Sixty percent of participants cite the use of international assignments as being a top program goal for supporting overall global business and talent development objectives.<sup>2</sup>

where there is a skill gap in the local market. The need for global presence and expertise far outweighs the costs and difficulties associated with global assignments. While many aspects of global mobility continue to evolve, the need to relocate top talent remains consistent.

Employers can balance competing needs by honing in on country-specific business practices and regulations while considering overall business and assignee needs. It is important to note that one size does not fit all—every assignment situation is unique.

The need for a flexible approach is rising and is key as companies increasingly explore various short- and long-term assignment types, including developmental, extended business travel, intraregional, commuter, permanent transfer, localization and others. The selected global mobility program must be able to support ever-changing technology, business needs and the compliance requirements of home and host locations. At the same time, in order to minimize risks, companies must not forget duty-of-care responsibilities such as insurance needs, pension decisions, standard-of-living differentials, exchange rate issues and tax implications when it comes to their employees. There must be a balance between the two, and the education of both the company and the global employee relative to financial and benefit decisions plays an increasingly vital role.

Due to the many complexities of international assignments, managers continue to spend an excessive amount of time and effort on administration and compliance, and are working on leveraging technology and vendor partnerships to improve the process. However, careful upfront planning and solid, market-competitive policies and procedures continue to be integral to the success of any assignment.

No matter which assignment option is chosen, it is important to communicate expectations and gain buy-in from all parties involved. To ensure an efficient and effective program management experience, employers should also develop a strong working knowledge of the global assignment processes as well as immigration and tax regulations, and/or partner with an outside consultant who offers this insight.

A recent KPMG Global Assignment Policies and Practices (GAPP) Survey found that businesses worldwide are taking an active interest in global mobility programs, where 60 percent of participants cite the use of international assignment as being a top program goal for supporting overall global business and talent development objectives.

Improving alignment between business objectives, assignment policy types and assignee selection is vital. Organizations continue to use a variety of different assignment types to support program goals—long-term and short-term assignments are still the most common (96% and 84%, respectively). Permanent transfer and indefinite length assignments are growing and also considered a common practice for 63% of survey participants (up 2% from 2017).<sup>2</sup>

Looking to the future, most participating organizations said they expect to rely more on shorter-duration assignments (i.e., extended business trips [72%], short-term assignments [63%] and developmental/training assignments [63%]).<sup>2</sup>

Short-term and permanent transfers are increasing in popularity.

## The Traditional Long-Term Assignment

While many organizations still expect their number of long-term assignments to increase, the use of short-term and commuter assignments, permanent transfers and localization is on the rise. Traditionally, international assignments range anywhere from one to five years. These long-term assignments are expensive and require a considerable commitment from both the employee and the employer. However, the investment can pay off for meeting certain objectives. Long-term assignments are well-suited for strategic positions where qualified locals are not available to broaden global management skills, initiate mergers and acquisitions, introduce new products or services, develop global thought leadership in a particular market or region, and meet other growing business needs.

Long-term assignments allow employees to remain on home-country benefits and participate in home-country social and retirement plans. These arrangements also make it possible for assignees to immerse themselves in the culture and business environment of the host country, develop relationships with local teams, and promote further growth upon their return home.

Potential drawbacks of long-term assignments are the multiple costs involved in moving household goods, international education for children, family home leave, family housing and utilities, property management or home sale costs, and host payroll costs. Tax equalization, home and/or host taxes, and applicable gross-up costs on these benefits are additional factors that need to be considered.

## The Rise of Short-Term Assignments and Permanent/Host-Based Transfers

Growth in global mobility is partly due to the rise of short-term international assignments and permanent/host-based transfers. Unlike customary long-term assignments, which can last from one to five years, the short-term assignment is less than 12 months and permanent/host-based assignees are transferred on a local basis. These types of assignments may allow for increased flexibility, convenience and greater cost savings when moving employees overseas.

Short-term assignments, commuter assignments and permanent/host-based transfers are increasing in popularity. This is largely due to their ability to mitigate many of the inherent challenges that accompany long-term assignments. The main intent of a commuter assignment is to broaden the experience of the employee while allowing their family to remain home. Compared with their long-term counterparts, short-term and commuter assignments are usually single-status, meaning the assignee is traveling alone. These types of assignments are normally reserved for operational projects, which can include training and development, transfer of knowledge or skills, and projects focused on filling a skill gap. Permanent/host-based transfers have gained popularity in the last few years, largely as a method of reducing assignment costs and assisting with employee retention.

With a sound vision backed by the proper resources, companies can and should plan to win in the global market.

Areas for cost savings with short-term assignments and permanent transfers, compared with traditional assignments, can include tax equalization, shipment of household goods, family housing/family-paid housing, children's education and cost-of-living adjustments. With short-term assignments, there are also fewer complications associated with family expectations and cultural assimilation.

Other drivers influencing the rise in short-term assignments and/or permanent transfers are the number of employees who want to be internationally mobile for both personal and professional growth. While 38% of companies reported that they will increasingly use permanent transfers to meet employee demands, results indicate overall that the rise is being driven primarily by the needs of businesses rather than employees.<sup>3</sup>

The need for cultural training and “settling in” services remain, and are still integral to the success of all assignment types.

## Determining the Right Assignment

Prior to determining the correct type of assignment, business goals and expectations need to be understood. It is impossible to force-fit an assignment into a specific category. In the end, the assignment will define itself, and the necessary course of action will need to follow. Prior to moving forward with any assignment, it is important that management understands all associated costs and risks. Organizations should always calculate cost projections to allow for line-item clarity, to include the tax differential cost to the company, to help identify ways to save money and to provide a budget to management. In addition, a letter of understanding (LOU) acts as a “mini policy,” and serves as a reference tool for both the assignee and management to set and manage mutual expectations of the relocation or transfer. Finally, as families make the transition, cultural training and “settling in” services are critical to the success of the assignment or transfer. Ramifications of a permanent/host-based transfer must be considered and discussed upfront. When transitioning to a local employee in the host location, the employee will no longer be able to contribute to the home country social security and retirement plans. The ability for an employee and their family to maintain the same standard of living between the two countries must also be considered. This includes goods and services and housing differentials, as well as tax and retirement/social security implications. A “local-plus” assignment may also need to be considered. The greater the help and communication at the beginning, the better the outcome from the support given to assignees and their families. Taking a proactive approach reduces anxiety and stress along the way for everyone.

# Get It Right the First Time and Win

To remain competitive on the global stage, organizations must embrace a global mindset. The need for international assignments continues to grow and therefore, so is the need for an all-inclusive, strategic approach to a company's global business plan. The fundamental concepts of global mobility must be applied to the constantly changing needs of the business. Whether long- or short-term, commuter or permanent/host-based transfer, these assignments are on the upswing and contribute to building a flexible, culturally competent workforce that is better able to support the future growth of organizations. Whatever the rationale for a global assignment, it is imperative that companies do their research and "spell it all out." This ensures clarity and alignment from the inception of the assignment through repatriation, ultimately leading to a successful relocation or transfer.

<sup>1</sup>Atlas Van Lines (2019), Corporate Relocation Survey, <https://www.atlasvanlines.com/corporate-relocation/survey/2019/relocation-volumes-budgets/>

<sup>2</sup>KPMG (2018), Global Assignment Policies and Practices Survey, <https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/10/2018-gapp-survey-final.pdf>

<sup>3</sup>Worldwide ERC (2019), Is This the End of the Long-Term Assignment?, <https://www.worldwideerc.org/article/is-this-the-end-of-the-long-term-assignment>



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## About the Author.

Kristin leads Gallagher's Global Mobility Consulting and Advisory Services specialty, which helps employers successfully navigate the complex challenges of relocating employees internationally.

With more than 25 years of experience managing global mobility programs and international finance, as well as over 10 years of global consulting, Kristin works closely with her team to identify clients' relocation goals and determine the assignment type needed to achieve targeted outcomes and ensure an optimal setup. At each step, the focus is on making sure that clients meet compliance requirements and realize maximum cost efficiencies, and that all parties have a productive, positive experience.

In addition to her other responsibilities, Kristin speaks at various conferences, including the IBIS Academy international conference. Since 2016 she has worked to develop IBIS Academy's global mobility tracks held in Amsterdam, Cannes, Berlin and this year in Milan.

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