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MOBILITY INSIGHTS

The Growing Importance of Remote Work Policies to a Successful Global Talent Strategy

Responding to the COVID-19 pandemic, corporate leaders had to quickly adapt their businesses to employees working from home. In reality, while the majority did work from home, others were sheltered in a different location—some with family and others in a second home or elsewhere. Additionally, some chose to sell their homes or break leases and move permanently to another location.

What arose as a result of the pandemic was a need for corporations to become more flexible than ever to allow a portion—if not all—of their workforce to work remotely, either some or all of the time. This in turn led to the development of remote work policies that address global consistency and compliance-related issues. In essence, corporations are now bringing jobs to people, and there doesn't seem to be a one-size-fits-all approach.

Offering remote work can improve the perception candidates have of an organization.

What are the benefits to an organization of remote work as an ongoing offering?

- **Reduction in real estate costs:** if more employees are allowed to work primarily remotely, then there is less need for brick-and-mortar locations. At a minimum, the size of the office space may be reduced substantially to a collaboration space without dedicated offices or on-site office amenities such as cafeterias, gymnasiums, and daycare centers.
- **Elimination of allowances:** for employees working remotely rather than on an assignment, allowances are not paid.
- **Growth of talent pool:** with employees working remotely, the talent pool can now be found and developed globally as it expands to all regions.
- **Improved competitiveness for talent:** offering remote work can improve the perception candidates have of an organization by demonstrating that it is flexible and concerned for the well-being of its employees.

What are the benefits to employees working remotely?

- **Flexibility:** working remotely allows employees to be able to schedule the flexibility they need into their schedule without fear of reprisals.
- **Cost and time savings:** the elimination of commuting to the office--whether by public transport or in one's own automobile--provides an opportunity for the employee to save on monthly out-of-pocket expenses and increases available time to pursue other areas of interest.
- **Work/life balance improvement:** overall employee perception is that they now have the ability to organize and control where work fits into their life without having to give up their family's needs and desires.
- **Employee engagement/job satisfaction:** additional time for family—combined with schedule flexibility—has proven to be a positive way to improve job satisfaction and overall engagement.

What are the key considerations an organization must address in developing a remote work policy?

Remote work has as many variations as there are organizations. The definition of remote work will vary as each corporation considers job types, salaried vs hourly workforce, face-to-face collaborative positions, and teams that require a structured environment (e.g., plant work vs office work).

Part of defining what an organization offers for remote work is structure. Who can work remotely full time? Who can work a hybrid schedule? Who needs to come into the office 2-3 times per week? Who must report to the office on a full-time basis?

The responsibility for the development of a remote work policy typically falls to the corporate human resources team. However, in most organizations, HR develops a project team for this policy since it touches nearly everyone in the organization. The project team usually includes business leaders—with representation from across business lines and across the globe—working within the following departments: HR, facilities, global mobility, corporate real estate, travel, finance, payroll, local tax, compensation, and benefits.

WHAT SHOULD BE INCLUDED IN THE POLICY?

As the policy is being developed, it is critical to address corporate culture. Not every culture is ready for fully remote work, and this must be addressed openly and transparently. To ensure culture is understood and embraced, an organization can offer online training, community-oriented events, and collaborative tools. For those who live near one of the offices, events can be planned there as well. This can be a time to welcome new team members.

When developing the policy, there are several important areas to address. Eligibility should state who is included in the policy and address what approvals are necessary, when the policy will be applied, and what process will be used. The following should be considered:

- Address employee, HR, and business needs
- Align the goals of the remote work policy with business strategy
- Discuss duty of care and how it impacts the organization's culture
- Identify compliance and risk factors
- Define and explain the exception process
- Explain in the policy if training and/or re-skilling are necessary
- Determine whether compensation will be adjusted for living in alternate locations
- Bring in appropriate suppliers to address any potentially increased costs in the areas of tax, visa, and social security
- Require that employees only live in countries where the company has a legal entity in order to avoid the possible creation of a tax-laden Permanent Establishment

WHAT COMPLIANCE ISSUES DO YOU NEED TO CONSIDER AS YOU ARE BUILDING YOUR REMOTE WORK POLICY?

It is important to evaluate the current landscape. In the United States, COVID-19 put stress on municipalities, cities, states, and the nation as a whole, thus creating budget shortfalls. The funds to balance the budget have to come from somewhere, and this is often through personal and business taxation. The IRS has budgeted to increase its spending over three phases in order to enforce tax laws and compliance, specifically focusing on large corporations and individuals with high net worth.

Countries around the world face a similar situation. Governments spent freely to keep the population safe and now must recoup the cost. In Europe, increased funding and improved joint programs exist to combat tax evasion and avoidance. In the Czech Republic and Russia, as well as several other countries, authorities are targeting tax increases specifically on high-income earners.

For risk mitigation, you must first find out where your employees are currently located and keep a record of their physical presence. One of the main issues that companies face today is keeping track of the current whereabouts of their employees. When employees were told to work from home, they chose the place most convenient to them—this might mean moving to a different state/country to be with family, to an area with lower cost of living, or to a retirement (dream) location.

One of the main issues that companies face today is keeping track of the current whereabouts of their employees.

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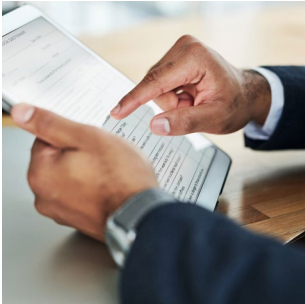
Unfortunately, untracked mobility can have consequences for both the employee and the company, for which you need to be prepared.

What is the optimal solution? Technology that can be stored on a mobile device and that tracks and monitors the physical presence of employees through the use of passive and active location services is ideal. Requiring this type of location tracking tool/technology may be necessary in order to grant remote work approval. How do employees feel about being tracked? Topia's Adapt Survey showed that 95% of employees are comfortable with employers knowing their country location, and 94% are comfortable with employers knowing their city location. The technology that you choose should track only jurisdiction, not the exact location of an employee.

Once you know where your employees are currently located, compliance issues—such as Permanent Establishment, corporate tax risk, immigration, Posted Worker Directive—can be identified and addressed. An employee working in a different state or country may be liable for tax withholding in both the home and host location. This can also trigger the risk of creating a Nexus or Permanent Establishment if the company did not have a Permanent Establishment in this location previously. If the employee is working in the Schengen area (26 European countries comprising the world's largest visa-free zone), then monitoring for personal and business days to comply with the law is top of the list. Knowing the employee's actual work location can impact personal and corporate tax liability when it comes to some U.S. cities, such as New York and San Francisco. Lastly, it is critical to consider the increased risk and costs for immigration compliance.

As part of the remote work policy, you will want to address the following in order to reduce the tax and immigration compliance risks:

- How do we track and monitor an employee's physical presence?
- Length of time allowed in a specific location:
    - Does the employee need to return to the home country after a certain number of days?
    - Is there a limit to employees that already have the documentation to work in a specific location?
    - Will the corporation allow permanent moves?
- Who will bear the cost of immigration compliance such as visas, work papers, A1/Posted Worker?
- Who will bear the cost of any potential tax liability?
- Will the organization only allow remote work where the business has an existing entity?
- From which payroll will the employee be compensated?
- Will this result in changes to an employee's medical, dental, and/or retirement benefits?
- Is payroll withholding necessary in multiple locations/jurisdictions?
- Will corporate tax be affected, e.g., risk of permanent establishment or Nexus?

Types of Global Compliance Issues

• State and Local Tax	• Posted Workers Directive	• Residency
• Corporate Tax Apportionment	• A1, Certificate of Coverage	• U.S. Nonresident Payroll Withholding
• Nexus	• Visas, Immigration Documents	• Global Nonresident Payroll Withholding
• Permanent Establishment	• Schengen Compliance	• Statutory Reporting
• Organization for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting	• Duty of Care	

WHAT ELSE SHOULD AN ORGANIZATION CONSIDER REGARDING THE IMPACT OF REMOTE OR HYBRID WORK?

There has been a resurgence of the pandemic due to a variant, and quite a few corporations have postponed returning to work (for those returning at all) until early 2022. Whether your organization will be fully remote or hybrid, here are some areas to consider for success in the near future:

- To prevent employee burnout for those who are fully remote—with no separation between work and home—time away from work is critical. Managers need to take pulse checks and encourage employees to take time off as needed.
- New hires will face challenges if they are not going to be face to face with colleagues. Consideration must be given to integrate these new employees into the company in novel ways, such as hosting a virtual Happy Hour or meeting with local employees when safe to do so.
- Human Resources can provide well-being initiatives and support to teams.
- Leaders must be the best remote workers to lead and support remote employees. HR should be in communication regularly and offer a communication toolbox to support the leaders.

IMPLICATIONS FOR GLOBALLY DISBURSED REMOTE TEAMS

For leaders with globally disbursed remote teams, there is added complexity to successfully lead and communicate with a global team. Leaders must be equipped with global leadership skills and the intercultural competence to flex their style to successfully lead a diverse, multicultural team— one made up of individuals with differing cultural expectations of a leader in terms of setting strategic direction, providing feedback, and motivating both individuals and the team as a whole.

Multicultural teams bring great opportunity for organizations and capable leaders to leverage their diverse talent for more innovative outcomes, as long as both the leader and the teams are equipped with the skills to work effectively together across cultures. Differing cultural values, assumptions, expectations, and communication styles are inherent to diverse multicultural teams. These teams have the potential for greater effectiveness if their differences are recognized, respected, and harnessed as opposed to the alternative, where lack of awareness and lack of respect for differences can create friction, lack of inclusiveness, and ultimately, less effective teams.

Inclusion efforts by the organization overall and the team leader are both critical to attract, motivate, and retain the best talent. Globally disbursed, remote teams may adopt a shared business language—often English—for collaborative team work or calls. However, organizations and leaders must recognize that while some members are interacting in their native language, others are communicating in a second, non-native language. Language and communication challenges can be amplified in remote work environments and on team video or audio calls, so leaders must be deliberate to ensure they are providing the opportunity for each voice to be heard. Flexing their meeting style might be required—an example is to ensure that non-native speakers are given topics in advance to allow them to prepare talking points ahead of the call, or to carve out time to give each person who wishes to speak the opportunity to do so. One might also coach native speakers to watch their pace of speech and limit interruptions or talking over one another to ensure all team members can follow the discussion.

By planning for compliance-related requirements and the implications of leadership and collaboration across disbursed teams, organizations can achieve greater success in their global talent strategy while embracing the benefits of a remote workforce.

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