

International Mobility and Future of Expatriates

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Introduction

International Mobility has evolved over the years due to globalization, proliferation of new information technologies as well as the high demand for human talent everywhere in the world. From Europe to Asia, Africa to North America, individuals have traversed the globe to meet the ever-increasing need for transfer of knowledge and specialized skills in various parts of the world.

However, there is no gainsaying the fact that recent developments, including the still raging COVID-19 pandemic that has given rise to changes in working arrangements, have had certain effects on International Mobility and the future of expatriates.

In this publication, we will examine the evolution of international mobility and how it has been impacted by recent developments in the global space. We will also share an outlook for the future and highlight the emerging trends in International mobility which may have far-reaching implications on the future of expatriates.

The Evolution of International Mobility

- The world as a global village - In 1964, Marshall McLuhan coined the phrase 'Global Village' to describe how the world is connected as a result of modern communication. With technology came globalization, which has helped to conquer time and distance, using cars, trains and planes, and make it easier to travel anywhere around the world.

Globalization has also enabled people to interact and transact business across borders. These interactions often result in the need for physical travel and visits to various locations to meet with business partners and other stakeholders.

Some of these visits result in the establishment of businesses in the new locations and transfer of international staff to run the businesses while the process of engaging local staff and onboarding them fully is ongoing. Oftentimes, these international staff continue to hold the reigns of the organizations in order to protect the interest of the international investors.

- Need for knowledge and skills transfer as a driver of International Mobility - A critical driver for International mobility is the need for the transfer of knowledge and skills which may not be readily available in the developing nations. These nations need specialized skills to develop their economies and have made provision in their laws to accommodate the employment of experts from advanced economies. These experts are expected to physically travel to the locations to not only be involved in implementation of various projects but to also transfer their skills to the local employees, who will then be able to take up the roles occupied by the expatriates after a specified period of time.

The Nigerian Government has established an expatriate quota policy in this regard. Based on the terms of the policy, an organization is required to assign at least two Nigerian staff to understudy an expatriate. The Nigerian understudy is expected to go through a process of training and be upskilled to a level that they can then take over the quota positions previously occupied by the expatriates.

Impact of Recent Developments on International Mobility

- **COVID-19 Pandemic and its effect on the supply of migrant labour**

The COVID-19 pandemic, which has bedevilled most nations of the world, has significantly impacted the supply of migrant labour that is the driving force of a globalized economy.

Many nations have implemented various forms of lockdowns to curb the spread of the virus that has reportedly resulted in the death of more two million people, with the United States of America reporting the largest number with more than five hundred thousand deaths as of the time of this publication.

The United Kingdom, which implemented a nationwide lockdown in February 2021, has reported more than one hundred and twenty thousand deaths due to the raging pandemic. Many other countries have imposed travel restrictions limiting the entry of nationals of countries with high incidence of the virus. For example,

the Brazilian authorities published a new note (or "ordinance") in the country's official gazette on January 26, 2021, updating the travel restrictions for foreign nationals arriving in Brazil. According to the note, "Due to a new SARS-CoV-2 variant in South Africa that has coincided with a powerful surge in infections in the country, travel restrictions have been updated to prohibit all flights from South Africa".

Other countries have also imposed various forms of restrictions as the world continues in its quest to distribute vaccines that should significantly assist in efforts to curb the spread of the virus.

These measures have impacted significantly on the ability of individuals, especially expatriates, to travel to their physical work locations to provide the required support, where physical presence is critical for work to take place.

- **Tightening borders and Control of illegal migration**

All over the world, measures are being implemented to control the incidence of illegal migration. In the European Union (EU), many irregular migrants originally enter the EU legally on short stay visas but remain in the EU for economic reasons after their visas have expired. To address this, the EU has developed an integrated border management strategy, which aims to maintain high levels of security by using information technology (such as the Visa Information System) and biometric features (e.g. fingerprints) for identification.

The EU Commission also continues to take strong action by ensuring that each country controls its portion of EU's external borders.

In Nigeria, President Muhammadu Buhari, GCFR, on Tuesday, 4 February 2020, officially launched the new Nigeria Visa Policy 2020 (NVP 2020) as the new guidelines for entry and exit of migrants. According to the President, the NVP 2020 is expected to address, among other matters, current immigration-related challenges such as illegal migration and expand opportunities regarding bilateral and multilateral relations with other countries.

The Nigeria Immigration Service (NIS) has launched the Border Management Information System, also known as MIDAS, at several international airports in the country. The Comptroller General of Immigration Services, Mr. Muhammad Babandede, has noted that MIDAS is designed to help the Nigerian Government to better understand mobility patterns through its statistical information and ensure that those crossing Nigerian borders do not pose threats to national and international security.

MIDAS is also expected to enable various states of the Federation to effectively monitor those entering and exiting their territory by land, air and sea while providing a sound statistical basis for migration policy-related planning.

However, these measures are not expected to significantly impact international mobility as expatriates on international assignments would normally explore the legally accepted routes to secure visas to facilitate their assignments in their new work locations.

- **Issues surrounding diversity and discrimination (race, sexual orientation, etc)**

A diverse global workforce

The global workforce is becoming increasingly saturated with people of diverse orientations, the effect of which is impacting international mobility in several ways. It is now considered good business practice to promote diversity within an organization. Companies with diversely-assorted employees seem to have better access to a wide range of perspectives on various business-related matters, with regards to gender, religion, race, age, sexual orientation, and so on. Such companies are better positioned to exploit equally diverse consumer bases as they are working with members of those consumer bases.

Global organisations benefit greatly from a mobile workforce and being able to deploy the most talented people for the task, wherever in the world they are needed most, is vital. Many employees see international postings as a pivotal element in their career development. However, diversely-oriented people (especially LGBT) can face additional challenges, as global employees. The results of a recent LGBT diversity survey show that international mobility is significantly impacted because of the cultural ideals and values in some locations, such as criminalizing same-sex activities and implementing other homophobic laws.

Diversity, discrimination and international mobility

Considering the recent happenings in the diversity and inclusion space, there is an unconscious bias that certain categories of employees cannot go on international assignments. This is understandable given the high incidence of discrimination based on race, gender, sexual orientation, amongst others. Consequently, this category of employees is wary of accepting assignments to such locations that are not tolerant of their demographic peculiarities, as they could be discriminated against or be at risk of bodily harm when relocated to such locations. These risks pose a significant barrier to global mobility, and companies, having a duty of care towards their employees, would be unwilling to expose them to such harm. However, this jeopardises the company's global interests, if the technical expertise of such persons is greatly needed in those high-risk locations.

Global organisations are saddled with the responsibility of providing encompassing support during international assignments; as being able to assign staff where their talent is most needed is a key indicator of successful enterprises. However, only few organisations have instituted measures to support their diversely positioned employees on international assignments.

These organizations bear the burden of implementing the right mix of mobility policies for their employees, which may be threatened by the protocols with which different countries deal with matters bordering on diversity. This hampers a company's ability to properly navigate local regulations, thus posing a significant threat for global employees accepting assignments to non-diverse locations of the world.

Another dimension to this is the challenge of identifying all the countries where diverse international assignees could be subject to discrimination or personal harm.

Given the different categories of diversity, ascertaining these locations is an uphill task. Hence, only few organizations would actively encourage mobility of diversely-oriented employees.

In response to some of these issues, employers may offer alternative means of accepting the assignment, such as working remotely. Also, they can propose other career advancement opportunities that give the employee equal advantages and benefits. Such employees are more likely to accept these propositions than defy the attendant risks of relocating to a potentially harmful territory.

COVID-19 inspired discrimination

Interestingly, COVID-19 has led to a rise in anti-Asian racism. Individuals of Chinese (or Asian) heritage are now targets of assaults. Although this festering sore mostly affects those living in certain locations, it has become a huge deterring factor for Asians when making international travel decisions.

Outlook for the Future:



• **Emerging trends in International Mobility / Future of expatriates**

- *Reduction in volume of Business Travels*
With various forms of travel restrictions expected to be in place to prevent the spread of the virus, more people, including global employees, would continue to work remotely.
- *Work from Home / Remote / Virtual Working Arrangements*
Many organizations have adopted the virtual working arrangements to limit the need for physical interaction among their staff, both local and expatriates. Many expatriates may no longer need to travel physically to their work locations as they can work from their 'remote' locations.

Against this backdrop, it is expected that organizations will continue to leverage technology in service delivery and ensure the continued engagement of their employees. Additional investment is expected to be made to provide required technology tools to achieve significant results with limited physical contact.

- *Cost Optimization / Reduced Mobility as Work is being taken to Expatriates rather than bringing them to Work*
Many organizations will continue to implement measures to recover from the losses brought about

by the COVID-19 pandemic. These may lead to cuts in travel budgets as greater dependence is placed on using cutting-edge technology to facilitate virtual meetings and collaboration. Expenses, which would have been incurred on obtaining visas and permits, travel, accommodation, and other expenses for global employees and business visitors, would be significantly reduced. More focus is expected to be placed on 'taking work to expatriates' rather than 'bringing them to work'.

- *Review of Compensation and Benefits scheme for expatriates*

It is expected that employers would continue to review their compensation and benefits scheme for their expatriates in a bid to manage their expatriate employment cost. In situations where foreign technical expertise is still required, the company's compensation and benefits scheme may be restructured to only cater for the expatriates without considering their dependants.

On the other hand, hazard allowance may be provided as incentive for expatriates whose physical presence is required in the host country to carry out their work.

• **Tax Implications of Remote Working**

The major issue that remote working poses is tax management for both employers of labour and tax authorities. The creation of Permanent Establishments and significant economic presence for companies when their employees/dependants work remotely from their home countries is a huge concern. The Personal Income Tax Act 2004 (as amended) (PITA) provides that "*the gain or profit from an employment shall be deemed to be derived from Nigeria if ... the employer is in Nigeria or has a fixed base in Nigeria.*" Regardless of where the duties of employment are carried out, the income of such an expatriate employee is liable to income tax in Nigeria if the employer is in Nigeria or has a fixed base in Nigeria.

Double tax treaty agreement (DTA) also plays a significant role in determining the taxability of an individual in Nigeria. In a DTA, the relevant tax authority for the expatriate will be that of the country where the employment duties are exercised and not where the employer is based. However, where an expatriate is from a country that does not have DTA with Nigeria, remote working will not exempt such an expatriate from paying taxes in Nigeria. Rather, it will expose the expatriate employee to double taxation especially where the expatriate has to remit taxes based on residency in home countries.

The next question that remote working poses is place of remittance. The basis for determining the relevant tax authority (RTA) for collection of personal income tax in Nigeria is residency. Since these expatriate employees are not physically in Nigeria, the Federal Inland Revenue Service (FIRS) becomes the RTA responsible for the administration of their taxes. In response to the need to accommodate non-resident individuals, the FIRS, on 20 October 2019, issued a Public Notice announcing its establishment of the Non-Resident Persons' Tax Office (NRPTO). The NRPTO was established to enhance tax certainty, promote voluntary compliance, reduce tax disputes and avoid double taxation relating to non-resident persons who are liable to tax in Nigeria in accordance with the provisions of the PITA.

Nigerian companies engaging expatriates remotely need to evaluate if the presence of employees in their home countries can create a permanent establishment for those companies. Those companies may, therefore need to register for taxes in those countries. As much as technology has provided the opportunity to work remotely, employers, employees and tax authorities need to review their mode of operations to accommodate these changes.

Conclusion

Undoubtedly, the world is changing; and this change brings with it a need to continually revise the approach to managing international mobility and employment of expatriates.

Global Mobility Managers and other individuals charged with the responsibility for planning and managing international assignments need to stay abreast of the issues that may affect them, some of which may have significant tax and other financial implications for the future of their organizations.

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