



New world. Be brave.

Part 3: Being brave in the
new work environment



Global Mobility Services

KPMG International

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The role of global mobility is evolving in today's demanding new world and mobility teams are navigating rapid changes in the way we work. Changes like how businesses are run, technological advancements and shifting regulatory and global developments impose new opportunities and challenges for mobility professionals.

As Global Mobility teams find their feet in the new environment, this three-part publication series distills the experience and insights of Global Mobility professionals of KPMG member firms on some of today's most pressing issues — along with innovative ways of addressing them.

The changing work environment is in focus for the final instalment of this series. In these pages you will find out brave new approaches to:

- how Global Mobility teams are inventing remote work policies that satisfy current talent appeal to potential recruits while ensuring that business requirements are met
- how flexible pay and benefit options can be used to create total rewards plans that appeal to workers at all employment levels and stages in life

- how Global Mobility professionals are responding as tax authorities shift activities away from emergency accommodation toward aggressive enforcement and revenue collection

As you will see in the previous editions focused on Global Mobility's role as business advisor and evolving technologies, this series captures a wealth of perception, forward thinking and expertise that will be invaluable to HR and Global Mobility teams seeking new ways to manage their priorities and succeed in an ever more dynamic workplace.



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Motivate. Reward. Retain.

How do we meet
the needs of a varied
workforce?

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As today's businesses fight for talent amid labor shortages and rising wage demands, Global Mobility teams need to embrace bold new ways of thinking to boost their employer's brand.

The five generations now in the workforce, however, have vastly different needs, aspirations and values. Some are focused on raising their children, while others are getting ready to retire. Some want to work from home more often, while others want more vacation time. Some want help making more sustainable choices, while others are looking to earn more cash.

In this environment, many companies are reinventing their pay and benefit options to attract and retain workers of all varieties. This is true for Comp & Ben teams for employee populations in a more broad sense, but also increasingly so for Global Mobility teams, that are finding that flexibility is the key to creating the conditions and compensation plans that appeal to workers at all employment levels and stages in life.

Flexibility in rewards takes different shapes and forms. The idea is to extend a range of benefits that workers can pick from to assemble their very own personal compensation and benefits plan.

Some popular flexible options include:

- **Hybrid working** — allowing flexibility over how many days worked in the office versus from home or elsewhere
- **Mobility budgets** — allowing relocated workers to choose relocation benefits for the costs of buying new furniture versus moving furniture already owned, or moving personal belongings by baggage versus shipment
- **Vacation time** — allowing employees to take extra pay in lieu of time off, or more time off for less pay
- **Stage of life benefits** — offering benefits geared to help workers at particular stages in life, allowing younger workers to take assistance



paying off student loans while providing childcare planning benefits to new parents and retirement planning resources for older workers.

When employees have the freedom to make choices about their vacation time, insurance coverage, pension contributions and other elements of their compensation, they have a much better understanding and appreciation of their rewards package overall.

Global flexibility, local priorities

Implementing a flexible rewards policy on a global basis is difficult. Local differences in culture and labor laws around, for example, standard working hours and vacation pay have significant impacts on work-life balance, job satisfaction and ultimately, retention. Just as workers have different goals and needs at different stages of life, the priorities of workers in different regions

vary widely and require solutions tailored for their location. For example:

- In **Australia**, flexible work options often include flex hours, flexible holidays and voluntary pension contributions.
- In the **United States**, flex benefits tend to target health and wellbeing, financial wellness and talent investment.
- In **Europe**, mobility options and insurance assistance are now being offered alongside well-being, vacation time and other more traditional benefits.
- In **China**, health benefits are the most prevalent options, with focus on health management products, medical checks and group insurance plans.
- In **Singapore**, flexible benefits packages tend to include a balance of medical/dental insurance, flex work and vacation time.



Developing key performance indicators (KPI) to measure progress toward ESG goals is crucial for both employee motivation and reporting to stakeholders.

The wide variation in worker preferences and regulatory limitations means packages are most effective when they are specifically designed for each location. Global Mobility teams would do well to work with local management to ensure total rewards offerings have the right appeal to the workers they supervise.

Flexible options that address environmental, social and governance (ESG) matters are also increasingly important to retention and recruitment, especially among younger generations. Many of today's employees feel so strongly about ESG's importance that, in one survey, one in five UK office workers responded that they had turned down a job offer when the company's ESG commitments were not in line with their own values.¹

Sustainability versus cash rewards

Where ESG is concerned, some employees are willing to favor sustainable choices over monetary benefits. For example, in Belgium, where company cars are the norm, one business saw more than two-thirds of employees opt for salary flexibility based on travel by bicycle instead of by automobile. Successful ESG-based rewards and benefits like these can also be advertised to promote the employer's brand.

Companies are exploring different reward options for tying ESG performance to individual compensation. Developing key performance indicators (KPI) to measure progress toward ESG goals is crucial for both employee motivation and reporting to stakeholders. In setting ESG KPIs, it's important to ensure these goals are aligned with the organization's culture and value as well as business strategy. They should also be developed with an eye to their potential commercial impacts.

Internal equity and inclusiveness are also important. Being competitive from an ESG standpoint means ensuring performance and rewards address all populations fairly and are aimed at improving prospects for all employees, including the most vulnerable (e.g. due to age, race or gender).

Pay transparency – equal pay for “equivalent work”

Pay transparency is becoming an important aspect of a company's ESG performance. With new pay transparency legislation being implemented in numerous countries and regions, it's important to consider how to embed ESG into the business's performance and pay framework.

These new rules are challenging. Companies are required to be open about salary ranges, grading and progression, so employees will be able to see whether they earn the same pay as others in equivalent positions. The data can also give trade unions ammunition to challenge compensation criteria in collective bargaining situations. Where there is a pay gap of 5 percent or more between employee groups doing equivalent work, companies may be obliged to explain the difference or work with the union on an agreed adjustment.

Defining “equivalent work” is one of the trickiest parts of pay transparency compliance. This type of legislation generally requires complex job evaluations to determine and improve pay equality across different occupations. In the past, some roles have been disproportionately occupied by women or men (e.g. caring, teaching, law enforcement). The analyses need to ensure gender pay parity across job types. This is done by comparing, among other things, education and experience requirements, physical and mental effort, and working conditions.

¹ <https://www.meijburg.com/news/kpmg-reward-trends-study>



Failing to comply with equity and transparency laws could open the organization to costly financial claims. It could also damage its brand in the public eye and weaken its appeal to potential recruits.

But when pay transparency and reporting are done right, employees gain the information they need to understand the company's total rewards framework and how they fit within it.

Revolving the business around skills and development

In an emerging trend, skills-based organizations are pilot tested in parts of some organizations. This approach provides a great route for enhancing flexibility for employees while making the most of their skills and potential. Transitioning from a job-based organization to one based on skills can also help refine job architectures and deliver richer data for reporting and compliance with pay equity and transparency legislation.

In this design, the traditional emphasis on rigid job specifications and roles is replaced with a focus on the skills that people have. Rather than fixed ideas that insist a specific employee is needed to do a specific function, jobs are broken down into skills, giving visibility over the slate of capabilities needed across the workforce to facilitate resourcing, recruitment and talent development. People's existing skills are evaluated in terms of where they can be applied in different contexts in the business.

Key features of a skills-based model

To successfully implement a skills-based model, these features are key:

- Culture and mindset are driven by skills rather than jobs

- Job architecture is similarly geared around skills as opposed to specified roles
- Skills and capabilities are at the center of strategy, planning and decision making
- A skills-based talent philosophy is clearly defined and understood across the business
- Employee journeys are determined by their skills and how they develop.

A skilled-optimized workforce can be a powerful source of competitive advantage. For new recruits, this approach helps attract the most skilled talent, with special appeal to those

with an appetite to learn, grow and contribute. For current employees, their ability to redeploy and optimize their skillsets helps key talent thrive and boosts retention. For the organization, the focus on continual learning and development enables a more resilient, higher skilled workforce capable of meeting ever evolving business needs.

For organizations looking to inject more flexibility into employee arrangements while also advancing their ESG goals, the approach can help create a nimbler organization that offers more variety, interest and challenge to potential recruits and existing talent alike.





Key takeaways

- As today's businesses fight for talent amid labor shortages and rising wage demands, Global Mobility teams need to embrace bold new ways of thinking to boost their employer's brand.
- Many companies are reinventing their pay and benefit options to attract and retain workers of all varieties. Their Global Mobility teams are finding that flexibility is the key to creating the conditions and compensation plans that appeal to workers at all employment levels and stages in life.
- When employees have the freedom to make choices about their vacation time, insurance coverage, pension contributions and other elements of their compensation, they have a much better understanding and appreciation of their rewards package overall.
- Flexible options that address environmental, social and governance (ESG) matters are increasingly important to retention and recruitment. Some employees are willing to favor sustainable choices over monetary benefits.
- Pay transparency is becoming an important aspect of a company's ESG performance. With new pay transparency legislation being implemented in numerous countries and regions, it's important to consider how to embed ESG into the business's performance and pay framework.
- In an emerging trend, skills-based organizations are pilot tested by some organizations. This design replaces the traditional emphasis on rigid job specifications and roles with a focus on the skills that people have, enhancing flexibility for employees while making the most of their skills and potential.

Remote working

What lessons are being learned from around the world?

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In the years since the pandemic's onset, many Global Mobility teams have blossomed into more strategic, high-value functions: first by courageously enabling the flexibility that allowed entire workforces to work remotely for the emergency's duration, and then by boldly extending their skills and experience with the ins and outs of multiple jurisdictions to tackle talent gaps more broadly.

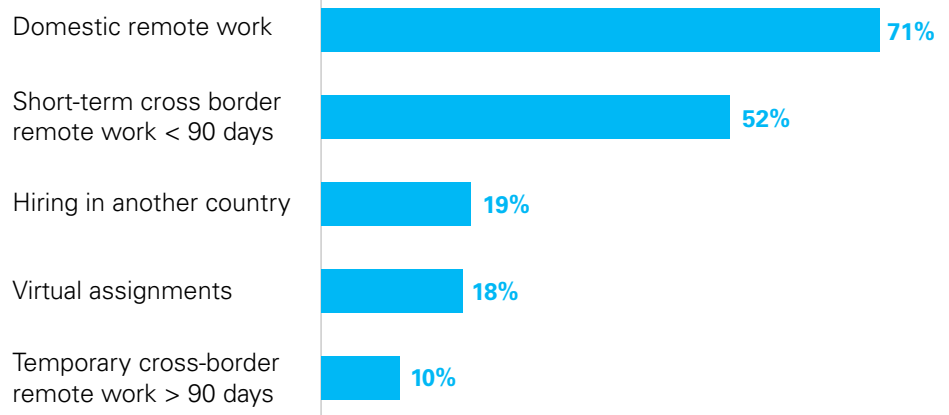
But as the nature of work has changed and the scope of the Mobility function's activities has broadened, many of the rules and regulations they operate with have not kept pace, creating significant complexity and risk. Like other parts of the business, Mobility functions are being asked to do more with shrinking resources and tightening constraints on their budgets for technology.

To cope with these extra responsibilities and curtail the rising risk, many leading Global Mobility teams are extending their existing business travel and mobility frameworks to manage the complete spectrum of alternative work arrangements that their organization has or plans to support, whether personal or professional. We've seen this include employees on vacation in another jurisdiction looking to tack on a couple weeks of working or dual career partners who need to follow their partner to another country and work remotely. From a business side of things, there has been an increase in global roles or the organizations' need to hire abroad to find the right talent. All of these alternative work arrangements add a layer of organizational risk and process complexity that few companies are ready to manage with their existing policies, processes and technology.

Some alternate work arrangements, like domestic remote work and short-term cross-border travel, are similar to traditional mobility types, and Global Mobility teams can bring their wealth of experience to bear. In a recent KPMG International poll, domestic remote work was by far the most common alternate work arrangement offered (approved or considered by 71 percent of respondent companies). Just over half of respondents have or are thinking about offering cross-border work of less than 90 days with certain guardrails in place.



Patterns of remote working considered/introduced



Source: KPMG webcast (2023): "Work from Anywhere: It's been three years!"

Other types of arrangements with more permanence, bring considerable complexity that organizations may not be ready to handle. The organization needs to weigh the risk, along with the administrative burden this brings to determine how to support the business needs in a cost effective manner.

Connecting the dots

These cases have Global Mobility teams leaning into their roles as "connectors of dots" within organizations, engaging more than ever with their partners in finance, HR, legal and payroll and deepening their collaborations with corporate tax departments to address permanent establishment, transfer pricing and other challenges. Global Mobility professionals are also upgrading their own skills so they can better manage increasingly complex issues and drive more value.

Even still, dealing with this complexity takes up a disproportionate amount of Mobility's internal resources and time

to address. How can they reduce the effort they need to put in to manage these different cases?

The first priority is to create a framework for categorizing the types of alternative work arrangements. Then Mobility teams can understand the pain points that can arise under each different scenario and set priorities for addressing them. At this early stage, it's important to get senior leadership's buy-in by ensuring flexible arrangements are in line with broader corporate strategy and talent objectives.

A next step is to establish policies and procedures to operationalize each type of arrangement, as well as governance to ensure policies are followed, such as guardrails around location, duration and activity. Global Mobility teams also need to consider whether the company's corporate structure and entity arrangements can support the needs of a more distributed workforce.



Designing the ideal critical path

As this framework is developed, an ideal critical path will emerge that aligns the various flexible arrangements with the same process, whether short-term and in-country or more permanent and cross-border. Common steps in this critical path are as follows:

- 1 Initiate:** Employees usually trigger the process by requesting an alternative arrangement, whether temporarily (e.g. to care for an ailing relative) or more permanently (e.g. to gain international work experience). When designing this stage of the process, Mobility teams need to consider what tools to employ to facilitate intake and capture relevant data.
- 2 Assess:** This step involves assessing flexibility requests against established policies using the data gathered in Step 1. For these assessments, Mobility teams need to decide who is involved in making the assessment, what guardrails apply (e.g. regarding location, duration and activity) and what operational and compliance risks should be weighed (e.g. immigration, corporate tax, social security).
- 3 Approve:** Questions to consider at this stage include who should be involved in approving requests — the line manager only or additional functional stakeholders? Additionally, processes should be in place to handle exceptions when guardrails are not met and how to communicate this to the employees.

4 Initiate action: What actions need to be taken — or avoided — to contain risk? These actions could be as simple as a list of dos and don'ts for employees and the routine filing of certain forms in a jurisdiction to more complex processes for shifting employment to another group entity.

5 Monitor and report: To ensure continuous improvement, the process should include scope for tracking requests, monitoring approval and denials and reporting to generate efficiencies, cost savings and strategic insights.

Build, buy or get by?

Finally, Global Mobility teams will need to work with IT and other parts of the business to determine how to operationalize the process with technology. Is the organization's best bet to build capabilities into technologies already in place? If investments in new technology are needed, are off-the-shelf solutions available that could be integrated? Or can everyone just get by with the status quo, with emails, spreadsheets and other familiar tools?

As today's organizations seek ever more advice and support from their Global Mobility functions to implement flexibility and manage the related risk, Mobility professionals need to create the foundation for success. Global Mobility teams can get a head start by analyzing their current set-up against their expanding mandates and extending their existing frameworks and processes to the full gamut of new working arrangements.

Global Mobility teams will need to work with IT and other parts of the business to determine how to operationalize the process with technology.



Key takeaways

- **Strategic evolution:** Global Mobility teams have transitioned into more strategic roles, tackling broader talent management issues across multiple jurisdictions.
- **Collaboration and skill enhancement:** there is a greater need for Mobility professionals to collaborate with other departments such as HR, legal and finance to address challenges like corporate tax and compliance issues. Additionally, they must continually upgrade their skills to manage these complexities.
- **Operational Efficiency and Technology:** Mobility teams should focus on creating efficient processes that align with corporate strategies and objectives. There is also a need to evaluate and possibly integrate new technologies to support these processes, whether through building new capabilities or utilizing existing solutions.
- **Risk Management and Continuous Improvement:** organizations need to be proactive in risk assessment, approval processes, and continuous monitoring of the mobility policies to ensure compliance and efficiency. This includes setting up guardrails around location, duration, and activities of remote work.

Looking ahead, Mobility professionals are encouraged to adapt and expand their roles to meet the changing demands of a global workforce that increasingly values flexibility and remote work opportunities. This involves not only managing logistical and compliance challenges but also strategically supporting the organization's broader objectives.

Global authorities react

What are the latest global technical developments?

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When the pandemic forced remote work on businesses around the world in 2020, tax authorities were caught off guard as much as the rest of us. With employees legally barred from their workplaces but still needed to maintain operations, tax authorities understood the need for temporary concessions on tax residency determinations, permanent establishment matters and other tax issues.

Fast forward to 2024, and remote working and other flexible work plans have moved from emergency stopgaps to permanent, everyday arrangements in high demand among existing talent and potential recruits. Tax authorities no longer allow much of the special relief that they provided through the pandemic's peak. They also face pressure to help shore up pandemic-depleted government finances.

Global Mobility teams were the first to be called on to help businesses cope with the pandemic's necessities, and their traditional experience with international transfers makes them best equipped to help manage the tax, immigration and other risks that new remote and flex work plans can create.

Now the challenge for Global Mobility gets tougher as workers insist on ever more flexibility over when and where they work, as their managers devise more creative alternatives, and as increasing numbers of tax authorities solidify their positions and gain access to more data to detect and enforce them.

Permanent policies replacing emergency measures

In particular, many tax authorities have resumed activity around remote work-related permanent establishment issues. In the European Union, tax authorities have been conducting inspections, raising audit assessments and issuing rulings on the basis that remote work has triggered a permanent establishment. As tax authorities embrace digitalization, automation and data analytics, they are getting better at using data. They also have much more of it to work with than in the past from country-by-country tax reports, automatic tax information exchange and data exchange between tax, immigration and other authorities.

As tax authorities get better at mining this data for enforcement, companies need to ensure that their own data is at least as good as the data in the hands of authorities. For example, it is easy for the Australia Tax Office to find out who entered Australia on an Australian passport and stayed for enough days to cross the threshold for filing a tax return. Global Mobility teams can help their company comply with such rules by ensuring their own systems can capture and flag the same immigration

and travel data for its remote working employees as the tax authorities.

Being able to demonstrate good data quality on remote workers is crucial. Tax authorities will not be sympathetic if you have a problem due to missing or inaccurate information when they have better data than you do. An error in your company's data might lead the authority to distrust other company-provided information, prompt even more queries and cast doubt on whether the company's systems meet the standards necessary for compliance.





Sniffing out data gaps and inconsistencies

Furthermore, even tax authorities that remain largely paper-based are exploiting a wider range of sources to detect non-compliance. In Hong Kong, the tax authorities often ask multiple contacts for the same information, for example, presenting the same question to an employer and employee to see if their answers match. Tax authorities that are more advanced in their use of technology are using automation for the same ends: to spot gaps and discrepancies in taxpayer data that might signal non-compliance.

While the rules and tax authority positions vary from one jurisdiction to the next, there is a new tendency toward treating remote workers as a distinct group — with common fact patterns and issues — rather than as an undifferentiated subset of business travelers.

For example, 20 EU member states have entered into a multilateral framework agreement for social security that allows workers to telework² in their country of residence that is outside the jurisdiction of their employer up to 50 percent of the time without triggering liabilities for social security entitlements in employee's country of residence. Other jurisdictions may sign up in the future, although Denmark and the United Kingdom have stated that they do not intend to join.

While the agreed 50 percent threshold is a good option for social security coverage for teleworkers, it is not harmonized with other areas relevant to cross-border work. Among other things, the thresholds for triggering taxation of personal income earned during telework differ by jurisdiction and do not take account of thresholds for social security.

Tax and social security harmonization on the horizon?

As a result of these limitations, the framework agreement has seen only limited usage to date. Nevertheless, this development shows that EU policy



makers have recognized the need to develop a set of common rules and administration processes for dealing with employees in cross-border remote work situations.

Indeed, the European Economic and Social Committee (EESC) has proposed establishing a one-stop-shop for the taxation of remote workers. The scheme would have seen eligible cross-border workers taxed in the country of the employer, with the tax authority then sharing the tax with the worker's country of residence. This would be a boon for these workers and their employers. Only one tax return would need to be filed, and it would be up to

the tax authority to apportion the taxes among jurisdictions appropriately.

Unfortunately, this plan seems to have been shelved for now.

In June 2024, an EU task force established during the EU Belgian Presidency presented its discussions about several issues concerning taxation of remote workers. Here, they elaborated on considerations they had about different solutions for taxation of personal income earned during remote work, including a solution to allow taxation of income earned during remote work only in one country. The task force could

² Framework Agreement for Social Security for Telework refers to situations in which an employee teleworks habitually in the country of residence while the rest of the work is done in the country of employer. Telework refers to work done digitally through online connection, so manual work is excluded from the agreement.



The European Economic and Social Committee (EESC) has proposed establishing a “one-stop-shop” for the taxation of remote workers.

not agree on preferred solutions and decided to deliver its findings to the Organisation for Economic Cooperation and Development (OECD) for use in their work.

The task force agreed that the OECD would be the most appropriate forum to tackle tax issues concerning cross-border teleworking. The OECD is expected to address the topic later this year and will likely focus on the implications of remote working for corporate taxation and permanent establishments.

However, the EU task force warned against narrowing the scope for discussion and recommended discussing all taxation issues related to remote work issues, including personal income taxation and social security, and exploring the possibility of harmonizing thresholds for taxation and social security rules.

For these reasons, it is hard to predict whether significant changes to the taxation of income for remote workers will be implemented any time soon. While harmonized rules would benefit taxpayers and tax administrations alike, cross-border remote workers comprise only a small proportion of working populations in most jurisdictions, so easing the tax and social security burden is not a high priority.

Nevertheless, caused by various reasons, including labour shortages and talent attraction, the mobility of workers will likely continue to [grow](#) and

tax authorities will continue to increase their focus on compliance with the rules and administrative requirements for mobile workers. We can therefore reasonably expect to see changes in the legal landscape for remote workers in the longer term.

Tackling the diversity of remote working arrangements

In the meantime, it's a good idea for companies to mirror tax authorities by setting separate policies and procedures to govern compliance for separate remote working groups. Frontier workers,³ traditional assignees, work-from-anywhere and other remote working employees have unique considerations from tax and legal perspectives. With governments starting to address these various working situations separately, the rules and their implementation are evolving and changing constantly.

Global Mobility teams are the natural choice to take the lead in this regard. They can add significant value by bringing their skills and insights to ensure flexible policies are in place and address compliance, permanent establishment and other specific issues for each group of employees.

³ The term 'frontier worker' usually describes an employee who lives in one country and commutes to work in another country.



Key takeaways

- When the pandemic forced remote work on businesses around the world in 2020, tax authorities understood the business need for temporary concessions on tax residency determinations, permanent establishment matters and other tax issues.
- More recently, many tax authorities have resumed activity around remote work-related permanent establishment issues — conducting inspections, raising audit assessments and issuing rulings on the basis that remote work has triggered a permanent establishment.
- As tax authorities embrace digitalization, automation and data analytics, they are getting better at using data. They also have much more data to work with than in the past for country-by-country tax reports, automatic tax information exchange and data exchange between tax, immigration and other authorities.
- As tax authorities get better at mining this data for enforcement, companies need to ensure that their own data is at least as good as the data in the hands of authorities. This means ensuring that a company's own systems can capture and flag the same immigration and travel data for its remote working employees as the tax authorities.
- While the rules and tax authority positions vary among jurisdictions, preliminary work is being done, for example in Europe and at the OECD, to harmonize tax and social security rules and administration processes for dealing with employees in cross-border remote work situations.
- It's hard to predict whether significant changes to the taxation of income for remote workers will be implemented any time soon. Nevertheless, the amount of interest being shown by European policy makers indicates that we might expect to see changes in the longer term.



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