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Global Costs 2023 - Reducing employee related costs, improving cash flow, and increasing value in a downturn.

A guide to help you understand how to reduce costs relating to your international employees, trends, and best practice in 2023. Design a global budget process, get the fundamentals right, reduce risks, measure value, and create a roadmap to start saving quickly.

CONTENTS

Global Costs 2023:
An introduction

Global economic activity is experiencing a broad-based and sharper than expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, the Russia-Ukraine war, and the lingering COVID-19 pandemic all weigh heavily on the global economic outlook.

- In 2022, the World Economic Forum predicted that global growth would slow from 6 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 and 6.5 percent in 2023.
- The Organisation for Economic Co-operation and Development (OECD) at the end of 2022 said: ***"With recent indicators taking a turn for the worse, the global economic outlook has darkened".***
- Global surveys of business sentiment and leading indicators of growth shows key economic indicators flashing red. The surveys reveal a weakening in sales, investment intentions, and longer-term business confidence. Indicators for turnover and profitability confidence, are also falling.
- Inflationary pressures continue to exceed record highs and many firms expect their prices to rise. Increasing labour costs are usually at the top of the list.
- David Bharier, Head of Research at the British Chambers of Commerce (BCC), said in 2022: ***"Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour***".

Against this wider economic backdrop, the wider business climate is more mixed. Many businesses are doing well and continue to grow. Some are doing OK but are braced for potential head winds. And some are struggling and facing some stress.

Regardless of where your organisation is right now you need to ensure you attract and retain the best and brightest talent. The changing landscape has forced many employers to seek new ways of engaging with their employees, manage their people related costs, increase savings, and reduce risks.

David Bharier, Head of Research at the British Chambers of Commerce (BCC), said in 2022: *"Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour".*

What should your priorities and focus be in this challenging environment? How do you survive, revive, and thrive? We recommend some people-related strategies across some critical areas. In Part #1, we look at getting the fundamentals right:

- Planning for different scenarios
- Building a strategy that is flexible to accommodate the many challenges that arise in the short, medium and long term
- Hire the best and brightest talent anywhere in the world – international remote working – effectively manage the new norm
- The 'great resignation' and reducing employee costs
- Cash is king – ideas on employee reward and improving cash flow.

In Part #2, we look at the unique challenges of international employees. Many organisations are facing a challenging financial environment with increased scrutiny and pressure to reduce costs. International employees can be a huge asset, but also a big expense. Managing these costs is, and should be, high on many boardroom agendas. We look at some key areas in respect of international employees.

Mark Abbs
Partner and Head of Global Mobility

Global Costs 2023:
Key people-related strategies

Against this backdrop we recommend some critical people-related strategies.

1

Planning for different scenarios
What is the correct HR strategy right now? How will that change?

2

Nurture your talent
Reduce costs and hire the best and the brightest anywhere in the world. International remote working and the 'new norm'.

3

The 'Great Resignation'
Is it increasing employee-related costs?

4

Don't forget – cash is king
This is especially true when times are tough so look for ways to improve cash flow too.

GETTING THE FUNDAMENTALS RIGHT

1. Planning for different scenarios

What is the correct HR strategy right now? How will that change?

Build a strategy that is sufficiently flexible to accommodate the many changes that evolve in the short-and medium-term. However, it is also critical that you have a long-term strategy, and end goal, even if you have to make some tough short-term decisions. Those organisations that are best prepared will not only survive but also flourish.

Different organisations and sectors experience different pressures at different times. Your HR strategy needs to be sufficiently flexible and robust to accommodate these dynamic circumstances.

Each approach needs to be considered carefully. If you are confused or not confident, then get help. Don't always assume job restructuring is a negative – some employees actually see reduced hours and increased flexibility as a positive as it is more in tune with their lifestyle choices.

The tax rules around layoffs are complex. There are several tax reliefs for the employer and employee, but problems occur if the correct procedures are not followed.

Identify opportunities during changes - with change comes opportunities. The key is to manage change in a way that brings a benefit not a threat. In difficult times, stay focused on the fundamentals.

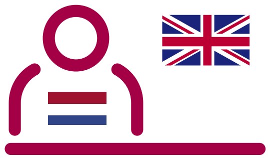
Recognise the value of your people. People are your most important asset. Now, more than ever, you must carefully nurture them. It is critical that you recognise the value they provide and find ways to motivate them. You need them to drive your organisation forward in difficult times.

2. Nurture your talent. Reduce costs and hire the best and the brightest anywhere in the world. International remote working and the ‘new norm’.

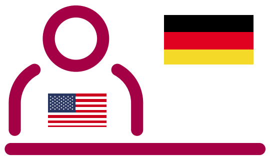
Do you know where your employees are working? Is pressure mounting on HR and leadership to adopt an agile and hybrid approach, globally, and permanently? Do you want to reduce labour costs? Do you want to hire the best and the brightest anywhere in the world?

Understanding the global workplace has changed considerably in recent years, and continues to evolve, forcing many employers and employees to seek new ways of engaging in their work.

Internationally remote working is a way of working in which an employer empowers their employees to work globally where, when, and how they choose. Work is an activity we do, rather than a place we go. In principle many jobs can be done anywhere. With advances in technology and communications it has never been easier for employers to adopt a globally agile work culture.



A UK employee working from home in the Netherlands.



A German employee working from home in the US.

A Singapore director that lives overseas.

International remote working has become common especially in the technology sector, but this has now spread quickly to other sectors and many different types of organisations are embracing the internationally remote working concept. We recommend every organisation reviews its strategies to take advantage of these opportunities.

For the employer:

- Reduce costs. An employee living in a different country may actually have lower employer costs such as social security taxes. Take advantage of available tax planning.
- Contribute to a sustainable estate by reducing the footprint that an organisation occupies and reduce the time your employees spend travelling and reduce their carbon footprint too.
- Embracing internationally remote working gives a competitive advantage and helps you grow more quickly. We are seeing a big increase in employers using this as an effective strategy to expand faster.
- Quickly source global talent – hire the best and the brightest, anywhere in the world, and win the war on talent. Technological advancements have made it possible for organisations to source and reach qualified candidates anywhere in the world.
- Develop greater diversity - expand experience and plug skills gaps between different regions and teams. Foster a collaborative approach and improve cross-divisional collaboration - ensuring that team members work effectively together. Make the time together count.

For the employee:

- No commuting costs - spend more time with family and friends. You can work from a lakeside villa, a hilltop mountain retreat, or your kitchen table. Working to live; not living to work.
- Removes geographical limitations. No expensive visas. No need to move the employee or their family. The spouse may have their own career or children are in local schools - so no disruption or costs.

Five short steps to successfully manage internationally remote working

1. Identify the benefits – make your goals clear

2. Build an 'Internationally Remote Working' policy and philosophy

3. Review and mitigate the risks from 'Internationally Remote Working'

4. Identify best practice and understand what the competition is doing

5. Identify the cultural challenges for your organisation

Other ideas for action - Go Green!

Help the planet, save costs, reduce taxes, and become a more attractive employer.

Electric cars
Employers can often provide an electric vehicle with a low or no benefit-in-kind charge. This is a considerable tax saving when compared to paying a cash-based car allowance or traditional company car.

Ultra-low emission cars
Often tax breaks are offered to enable your employees to buy an ultra-low emission vehicle.

Install charge points
Tax breaks are also often offered to help fund the installation of charge points for electrical vehicles. An employer can provide charging facilities (including electricity) to employees to enable them to recharge all-electric or plug-in hybrid vehicles.

We recommend all employers draw up a green strategy for their employees. Identify tax savings and review the tax rules in the various countries. Then proactively rollout the arrangements to as many employees as possible.

3. The ‘Great Resignation’. Is it increasing employee-related costs?

Access to talent is threatening competitiveness and growth and increasing costs. The job market and the shift in the way people work has undergone unprecedented change - resulting in the ‘Great Resignation’. Organisations are trying to adapt to these challenges which include:

- Increased salary and benefit levels
- Employee burnout
- Labour shortages
- Record levels of employee turnover and related recruitment costs

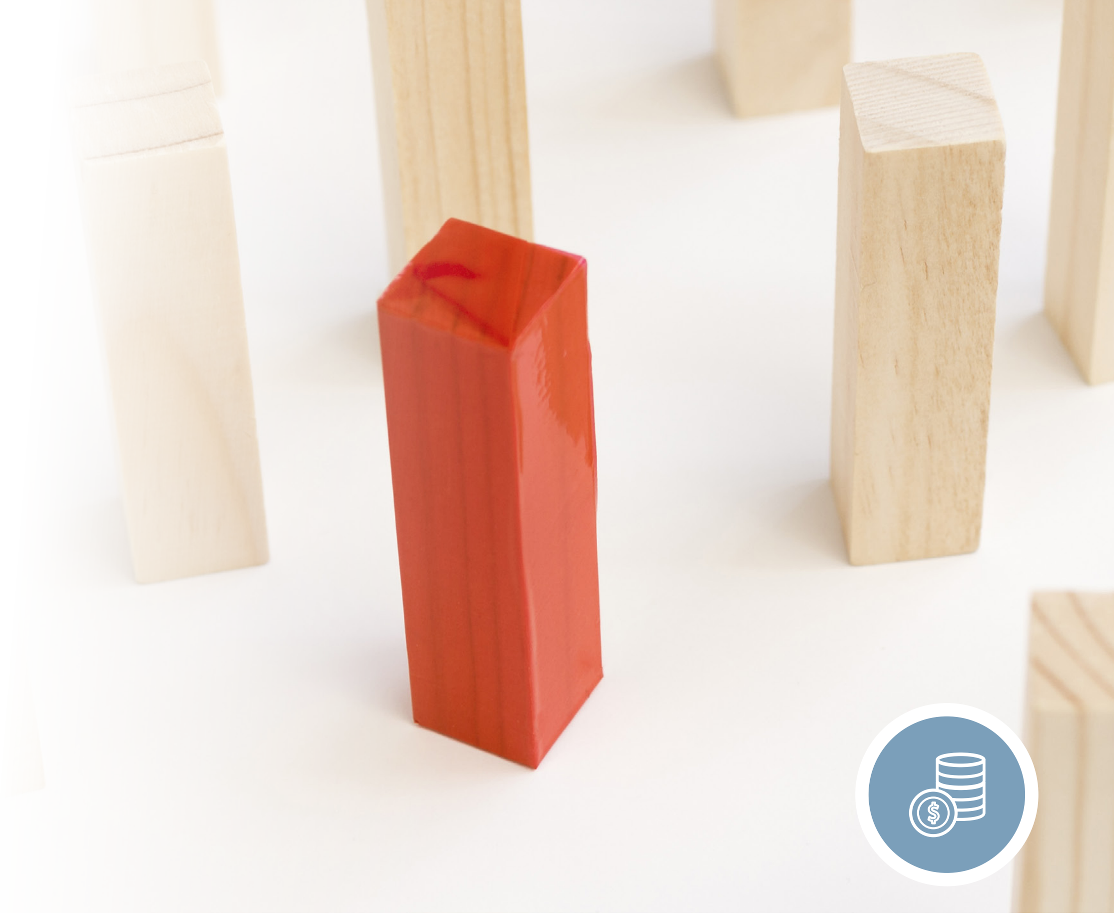
It is clear that employers will have to think more long-term to attract and retain talent. Pressure on recruitment of talent will require employers to look at untapped resources overseas including transferring skills from other fields. Remote working has become a necessity and has shown to be a feasible way to provide employees with a welcomed shift in their work-life balance. Offering competitive remuneration and hybrid working should remain at the top of the agenda to attract and retain the best talent.

Like many international employment scenarios, there are seldom quick answers and a few common misconceptions. For instance:

- The location from where an employee is paid rarely determines the country in which tax and social security is required. Instead determine where the individual is resident and where they will be working. An employee resident and working in one country may be taxed there rather than where they are paid or employed.
- Self-employment can seem an easier and cheaper solution – put a consulting arrangement in place and pay the individual gross. In some cases, this may be the right solution, however, caution is required. Many countries have ‘employment status’ rules where the substance of an arrangement is considered to prevail over the contractual arrangements and the individual may still need to be treated as an employee for payroll and social security purposes, even if you and the contracts say they are ‘self-employed’.
- Even though you may not have a registered presence in an overseas location, the act of engaging an individual may create a ‘permanent establishment’ for the home country organisation in that overseas location. In simple terms, this means that the home country organisation is deemed to be operating overseas for tax and other regulatory purposes. So, you could find you need to prepare accounts, register, and file corporate taxes overseas for instance.

With the war for talent intensifying, organisations are increasingly looking overseas to secure the right talent. While overseas labour markets are an attractive source of talent and can often lower hiring costs, employing people outside of your home country can be complex. Commonly asked questions:

- How do we pay the employee?
- Can we pay them from the home payroll?
- Will we need to register a company branch or subsidiary overseas?
- Can they join a pension scheme or equivalent?
- Do we need to operate withholding or social security?



4. Don’t forget – Cash is king

Cash is king in the business world; especially when times are tough. Therefore, look for ways to improve cash flow too.

Consider deferring cash compensation such as bonus payments, so they are paid when cash flow issues improve. You should also consider creating and developing a deferred compensation schedule with the objective of incentivising your key employees, while also helping cash flow for the business.

Replace cash with share-based incentives

To preserve cash, you may consider cancelling or reducing cash bonuses and replace them with share-based payments. In the longer term this could be a win-win especially if the share price appreciates.

Where businesses are keen to retain or attract top talent, but don’t have the cashflow available to pay bonuses or increase salaries, share options can be an effective and affordable way to incentivise employees. There are qualifying plans that can provide share options to employees with no income tax on the grant or exercise of the options, and only Capital Gains Tax would typically apply to growth in the value of the shares on a future sale. The arrangements are relatively straight forward to implement but there are some bear traps to avoid.

Share-based incentives

The last few months have seen big falls in the share prices of many companies. Some have rebounded but some are still subdued. Share awards made in previous years may now be underwater (worth less than when awarded). New awards when the share price is low could lead to a windfall gain if the share price then recovers. Nonetheless, share-based incentives remain a key way to reward and incentivise employees.

Waive or vary performance conditions

It may be tempting for companies and remuneration committees to vary the performance conditions for bonus and incentive plans because of ‘exceptional’ circumstances. Many commentators however warn against this as it can be short sighted. Alternatively, companies might consider deferring the awards for a short period of time to allow for ‘normal’ times to return.

Maintain the same level of awards but use more shares

Where the share price has fallen, and awards are expressed as a percentage - for example 30% of salary - then this could lead to a windfall gain if the share price then recovers.

Revisit share options with tax efficient treatment

Employers should review which tax breaks are currently available. Understand the benefits and how to comply with the tax rules which can sometimes be complex. Now may also be a good time to revisit previous arrangements as rules and circumstances often change.

Employee cash flow

Don’t forget cash flow issues for employees too. For instance, there are ways to reduce or stop payroll withholding in certain situations such as where the employee has a tax or payroll obligation in multiple countries. This might be relevant with traditional international arrangements but also situations where employees are now working remotely as part of new agile working arrangements.

INTERNATIONAL EMPLOYEES - A UNIQUE CHALLENGE

1. International employees look for ways to manage costs and increase savings

Many organisations are facing a challenging financial environment with increased scrutiny and pressure to reduce costs. International employees can be a huge asset, but also a big expense. Managing these costs is, and should be, high on many boardroom agendas. Below we look at some key areas to focus on to save costs with international employees.

> *"International employees can be a huge asset, but also a big expense".*

> *"Make sure that you maximise the many international and local tax reliefs available and carefully manage tax planning".*

We recommend you focus on the following key areas:

1. Tax planning and savings

Understand how you take out costs without risking the business. 'Cost optimisation' is a buzzword often used. However, don't place too much emphasis on operational efficiencies as they are often only a small proportion of total costs.

Tax can be a large expense in both the home and overseas location. Make sure that you therefore maximise the many international and local tax reliefs available and carefully manage tax planning. This can make a huge difference to the overall cost.

2. Manage and understand your costs

It is critical that you understand what the costs are going to be so you can then manage them and avoid surprises later on. Projecting costs will enable you to:

- Identify savings
- Control costs
- Run different scenarios to optimise the arrangements.

Cost modelling on 'what ifs' is a great way to see what impact different assignment packages can make, such as the cost impact of a cash allowance versus a reimbursed expense. If cost is a concern, support can be restructured to a more cost-effective position – selecting more conservative allowances can save money while still protecting the expatriate employee against excess costs e.g., accommodation in a commutable area versus accommodation in a central area. Then carefully manage budgets.

3. Get the employee support right

You should ensure you choose the right employee for the right role. Then ensure you design the right support and package to the right employee. For instance, it is common for many organisations to give a less generous package to an employee that requested to work overseas for their own personal reasons compared to that given to an employee who is business critical and key to the success of the international project. Knowing when to invest in an international employee and when to use a lower cost alternative can help balance costs in the long term.

4. Ensure you have financial discipline

You don't need to be obsessed with managing costs as long as you have good financial discipline. The following are important principles of a well thought through cost programme:

GOAL

Set clear objectives and understand what the return on your investment will be.

PLAN

Agree your plan. Get advice on the best tax planning, prepare calculations and cost modelling and agree the right package.

CONTROL

Manage your investment. What are the actual costs versus planned costs? Are you achieving the return on investment you were expecting?

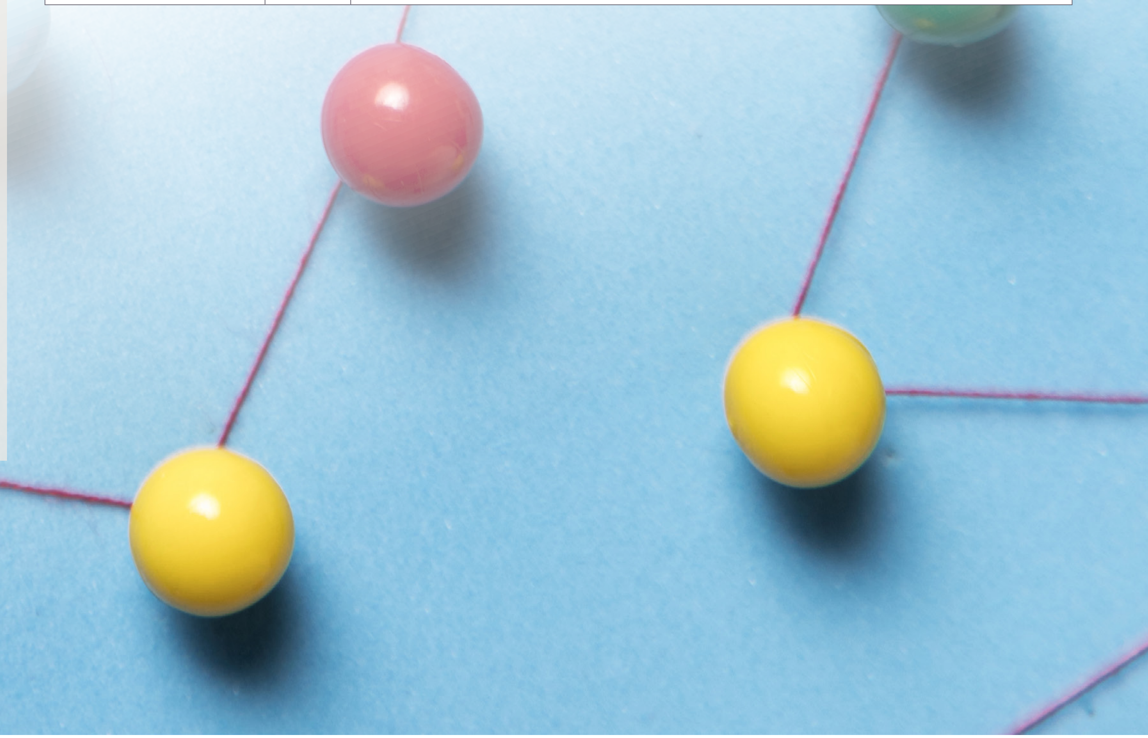
REVIEW

Review and adjust if necessary. For instance, undertake new cost modelling and adjust when there is a material change like an assignment extension.

5. Know what tools are available

There are a range of tools – choose those that best meet your needs. Here are some common ones:

Tax and social security calculations		These can be simple or sophisticated and show the different tax costs from different packages or arrangements.
Assignment calculations		These show the total costs, not just tax, and can include cost of living per diems, housing, etc.
Net to net calculations		Shows you the net pay of an employee and compares to their new net pay when on assignment.
Tax equalisation calculations		These show the total tax cost to the company and the hypothetical deductions for the employee.
Local transfer calculations		Compare the total costs of different packages in the new location.
Business trips and commuters		Shows total tax costs and employee net pay undre these types of arrangements.



6. Review your advisers

Now might be a good time to review your advisers. Ask yourself if they are expensive, do they exceed agreed budgets and are they good value? Are you and your international employees happy with the service and is it consistent? Or perhaps the relationship has become a little stale and you would just like a change.

You can often reduce costs significantly and improve service levels considerably when you change adviser. Shop around. There is a lot more choice these days. You no longer have to just put up with the traditional players. If you are not sure, then ask for a recommendation.

Help your international employees reduce their personal tax costs too.

For example here are the top 10 ways to reduce costs in the UK:

1. Overseas workdays
Income relating to days worked outside the UK is not taxed provided income is paid into an offshore bank account and is not remitted to the UK. So, for instance if you work overseas some of the time, you can significantly reduce your UK tax liability. The more you work overseas, the higher the potential tax relief. This option is available for the first three years provided conditions are met and bank accounts are structured correctly.

2. UK as a temporary workplace
A tax deduction can be claimed for the taxpayer's accommodation, travel and subsistence expenses which are personally incurred. Likewise, a taxable benefit does not arise where the employer pays or reimburses the expense. This option is available to those who are in the UK for less than 24 months and where the UK is regarded as a 'temporary workplace'.

3. Shelter offshore income
Non-domiciled individuals can make an annual election to be taxed on the 'remittance' basis. This is so that certain offshore income is effectively sheltered from UK tax and will not be taxed unless the income is remitted to the UK.

4. Business trips and short-term assignments
Those from a country that has a double tax treaty agreement with the UK can make a claim for complete exemption from UK tax. This is provided that the relevant treaty conditions are met, which includes not being in the UK for more than 183 days and ensuring costs of the employment are borne outside of the UK.

5. Foreign taxes
A credit may be available in the UK for foreign taxes paid overseas where the income has also been taxed in the UK but the income was earned overseas. This is a great way to avoid double tax and reduce costs.

6. Foreign pensions
Relief can be claimed for employee and employer contributions made to certain foreign pension plans. Without relief, employer contributions may be treated as a taxable benefit. However, relief is limited to the same pension contribution limits as a UK approved pension scheme which are £4,000 - £40,000 depending on your level of earnings.

7. Home leave
Relief can be claimed for travel costs of visiting home while on the UK assignment if you are not UK tax domiciled. Ideally costs should be paid or reimbursed by the employer. There is no limit to the number of trips that the employee can make per year. Relief for two trips per year is also available for the taxpayer's family. Relief is available for up to five years.

8. Relocation
Relief for up to £8,000 of qualifying relocation expenses paid or reimbursed by an employer for relocating to the UK can be claimed for. Relief is also available for the move when leaving the UK.

9. Tax free allowances
Depending on your level of UK and foreign income, an annual tax-free personal allowance may be available to reduce UK taxable income. An annual exemption may also be available to reduce UK taxable capital gains. You may need to claim the relief on the tax return if you are not UK resident and qualify under certain conditions.

10. Charitable donations
There are a variety of non-specific reliefs available for expatriates including charitable donations, professional subscriptions, business mileage and certain investments in companies and shares.

International employees. Do shorter assignments and an international business travel actually reduce costs?

An increasingly globalised world needs internationally mobile employees and the number of employees working outside of their home country continue to grow rapidly. A highly flexible global workforce provides greater opportunities for international organisations to fulfil resourcing needs and quickly deploy talent to the areas that need it.

Often employers think sending employees and directors overseas just for short business trips will reduce costs and reduce compliance obligations. However, they do not always realise that they have numerous tax obligations even for short trips and these obligations must be carefully and proactively managed. The tax authorities do not accept misunderstanding the rules as a valid reason for getting it wrong, and penalties for compliance failures can be expensive.

Myth #1 '183 days': provided an individual spends less than 183 days in the UK, then they won't be liable to UK tax.

Truth. The tax situation can be complex and relies on several factors, not just the number of days spent overseas.

Myth #2 'No overseas employer or payroll': if the individual is not employed or paid overseas there are no tax issues in that location.

Truth. There may be a tax obligation in the assignment location regardless of who the employer is and where the employee is paid. The overseas entity or client might be regarded as the 'host' employer and required to withhold overseas payroll taxes.

Myth #3 'Statutory directors': provided they live overseas they don't have to worry about paying tax in the country where they are a director.

Truth. In many countries, you are required to pay tax in the country where you hold the directorship, not necessarily where you are tax resident.

Myth #4 'Social security or pensions do not matter': there is no need to worry about overseas social security or pensions.

Truth. Social security taxes may be due unless the employer holds a valid exemption certificate. Not all countries have a social security agreement so there could be double social security tax charges to manage. Social security can be a significant tax cost that should not be ignored. In some countries, employer pension contributions might be treated as a taxable benefit.

Myth #5 'Stock and share-related income': the employer does not need to report stock options, Restricted Stock Units (RSUs), restricted shares or long-term incentives overseas.

Truth. It is common for tax to be due on part of the award in the overseas location. Significant penalties can arise for failures in this area.

2. Are you managing your international employees in the most efficient way?

While a highly flexible global workforce provides greater opportunities for international organisations to fulfil resourcing needs and quickly deploy talent globally to the areas that need it, this rapidly changing landscape also brings key challenges which need to be managed carefully and proactively.

1. Do you get poor feedback from the business and your international employees?

- Could feedback from international employees and the business improve?
- The responsibility for mobile employees can cut across a combination of HR, payroll, finance, legal and tax. Do all of these stakeholders understand their respective roles and how they align with each other? Are these role/responsibilities clearly defined?
- Is your International Assignment Policy linked to business strategy?
- Do international assignments have 'goals' that are measured?
- Do you have a high turnover of international employees?

2. Do you have unexpected and high costs?

- Are there unexpected costs and are costs just too high?
- Is there limited financial discipline or cost management?
- Is there lack of clarity around the purpose of an assignment and the value it is bringing?
- Is a lot of time spent on manual, transactional activities with little time spent on strategic, value-add work?
- Are cost projections used as a budgeting tool?

3. Do you have compliance risks?

Many tax authorities around the world, are seeking new ways to raise revenue and are more focused than ever on employers of International employees. The regulatory environment is being tightened and heavy penalties are being imposed for non-compliance.

- Are you happy that you are 100% tax and payroll compliant, or do you have concerns about possible compliance risks?
- Have there been any payroll or social security issues?
- Have there been issues with compensation data collection?
- Is a visit planned from the tax authorities?

4. Do you have international employee policy issues?

- Is there a policy? Is the policy up to date and being actively managed?
- Are policies outdated, expensive and no longer fit for purpose?
- Is the policy applied consistently and well documented? Are there problems with exceptions and deviation from the policy?
- Are international employees forced to localise / repatriate after a set time period?
- Have company mergers produced a variety of processes and policies that apply to your International employees?

Symptoms

- Poor feedback
- Unexpected and high costs
- Policy issues
- Compliance risks
- Review and fix

Case study – an independent review

We were asked by a well-known UK-listed organisation to perform an end-to-end review of how they manage their International employees. We were told that one of the reasons we were selected was that we could apply our extensive experience in international mobility with a very independent and honest approach. We were asked to assist with the following key objectives:

- Improve knowledge of the processes and technical aspects. Ensure relevant HR and payroll individuals are trained in the basics.
- Identify roles and allocate responsibilities/ownership. Who does 'what' and 'when'? View the process holistically and how each part aligns and interacts.
- Update old policies making them fit for purpose. Standardise these and fill any policy gaps.
- Identify external best practice and review if the company is doing things right and make sure it is doing the right things.

Benefits:

- Highlight areas of good practice as well as areas where there issome risk and inefficiencies.
- Identify cost savings, 'quick wins' and better processes.
- Find way to help manage costs better and implement budgeting tools.
- Review tax compliance and payroll reporting - highlight possible risk areas.
- Introduce best practice, fresh ideas, and consistency in the 'international employee experience'

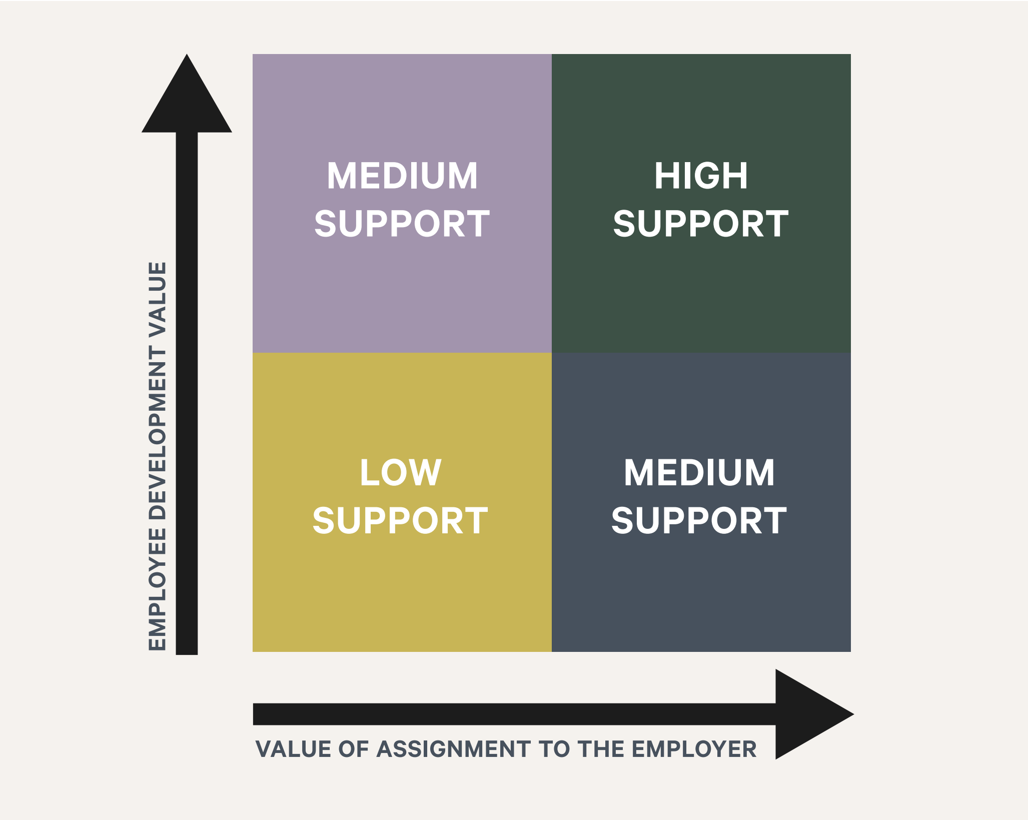
3. Increasing the value of international employees

Measuring value. Maximising the return on investment.

These are some areas of good practice:

1. Be clear about the organisation and individual objectives with the international assignment and their link with business strategy.
2. Ensure that assignee selection involves the employee, as well as the home and host business sponsors, and is supported by a well-documented business case.

Different types of assignments deliver different value to a business. The approach below can help you understand the different options available so you can choose the right amount of assignment support you provide to your employees.



Focus on selection. Make sure you send the right candidate.

Organisations that have a focused and well managed plan generally achieve a much higher return on investment, have more engaged assignees and high levels of retention after the assignment.

Prior to any assignment being initiated develop a business case that specifies the overall purpose of the assignment, including: the intended benefits and business objectives to be achieved during the assignment and the development plan for the individual where relevant. Also include budget calculations, the assignment duration, and the skills/experience required for the role. Conduct a proper selection process to try to find the best match for the above. Set clear goals and objectives and put in place a focused plan to achieve these.

Do organisations that pay higher allowances have higher performing assignees?

A common reaction is often to agree to additional allowances to motivate the individual on assignment. However, it is not clear whether those that receive more generous allowances stay for shorter or longer periods or have performance or longer retention. Review carefully therefore if you really do need to make a package more generous. Focus on value creation and less on costs.

Performance during the assignment

Individual assignees should be supported centrally by an international assignment individual or team. Assignees should continue to review their personal development plans regularly and use mentors in both the home and host locations throughout the assignment. Agree who manages the appraisal process during the assignment. Involve both the home and host country management in the annual performance review process and on-going objective-setting. Clear career paths and effective mentoring and coaching during the assignment will lead to better performance.

Repatriation, retention, and career development

Although organisations often focus on the immediate return on investment gained during the assignment, international experience can be just as important in longer-term career development.

Ensure you therefore have a formalised repatriation process, to focus on preparing the individual for the next role within the organisation. Focus on the international experience and how this will be best used. Ensure you actively manage the period leading up to the repatriation of the assignee to consider how the skills and experience gained from the assignment can be used to enhance opportunities for further career development.

Provide an early indication of their next position and further career development. This should reduce the number of assignees that consider leaving their employer during or after their work abroad.

Review your international employee policies

There are various ways that you can reduce costs and increase value by changing your policies and process:

- Reduce or limit the duration of your international arrangements. Having open ended arrangements is a little like having a blank cheque.
- Develop the approval process for managing exceptions.
- Localise long-term assignments (over five years). If assignment objectives have been achieved assess whether the assignment should be ended.
- Use objective cost of living data to ensure support and budgets are accurate.
- Consider applying a negative adjustment if an employee is going somewhere cheaper than their home location.
- Employ robust selection criteria when deciding who is right for an international assignment.
- Implement a foreign exchange rate policy and remember exchange rates can go up as well as down. What is your policy if the employee is worse off vs when the employee is better off?
- If you have a tax equalisation policy, how do you treat long-term incentives like stock options and Restricted Stock Units (RSU's). Consider excluding these from the tax equalisation programme, or at least introduce a 'cap' to limit the organisations costs.
- Do an annual review of allowances to ensure they are still appropriate and not over or under generous.
- Ensure you have a clear assignment letter explaining what happens if the employee is terminated while on assignment. What expenses will you pick up and which will be for the employees' own account?

Additional costs relating to international assignments

- The investment in assignment administration such as arranging for housing or visas.
- The management of international assignments. Organisations spend significant amounts on supporting their expatriates.

Can you reduce these costs and manage your risks better by buying in expertise and outsourcing some of these activities or processes?

- Will it help focus your scarce resource on more strategic or core activities?
- Consider outsourcing some or all of the process of expatriate management to external vendors: managing tax compliance, assignment admin, removals management etc.

Global Costs 2023:
Conclusion

Reducing employee related costs, improving cash flow, and increasing value in a downturn is a priority for many organisations. The changing landscape has forced many employers to seek new ways of engaging with their employees, manage their people related costs, increase savings, and reduce risks.

What should your priorities and focus be in this challenging environment? How do you survive, revive, and thrive?

This study has provided an overview of some of these trends, ideas and best practices emerging in 2023.

> *Plan for different scenarios and build a flexible strategy to accommodate the many challenges that arise in the short, medium and long term. Design a global budget process, get the fundamentals right, reduce risks, measure value, and create a roadmap to start saving. quickly.*

How we can help

Supporting employers with these issues is a key specialism for Blick Rothenberg. Our team offers in-depth knowledge of the compliance and global challenges facing organisations in 2023 and beyond. Our clients operate in a variety of sectors. We support many start-up and venture-backed enterprises, as well as listed and established small, mid-size and large organisations with their people-related tax issues. We have won many tax industry awards and provide high quality and tailored advice. We are highly regulated and can offer advice that is genuinely independent. We provide expert insight and solutions to complex issues.

Blick Rothenberg helps our clients to grow quickly, scale-up, manage pre-IPO and post-IPO people issues, and expand into new territories. We successfully support both UK and international organisations with a strong international presence – and can advise you anywhere. Our multi-disciplinary team can draw upon their deep commercial experience from across all sectors to help ensure your business can not only survive the current challenges but also thrive when they are over. We are a full-service accounting firm, providing practical, joined-up advice to support you through every stage of growth. To find out how we can support your business, please get in touch.

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