

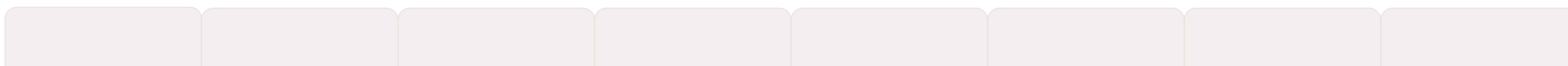
Talent 2021: Global Trends, Risks and Solutions in the Life Sciences & Pharmaceutical sectors

A study to help you build a global talent strategy, expand your talent pools, reduce costs, engage compliantly and create a roadmap to scale quickly.



Contents

Preface	03
Introduction	04
Why is talent such an issue for Life Sciences and Pharmaceutical organisations?	05
Global Talent 2021: Key Trends	06
Trend #1 - An increase in ‘globally remote working’ and ‘agile working’	07
Trend #2 - Grow and scale quickly	08
Trend #3 - More organisations ‘looking overseas to hire talent’	09
Trend #4 - Reverse of ‘shorter expat assignments’ (for now)	10
Trend #5 - Increased use of a “Global Talent Network” by organisations	11
Global Talent 2021: Key Risks	12
#1 - Tax, social security and payroll	13
#2 - Employment law	14
#3 - Immigration	15
Global Talent 2021: Case Studies	16
Global Talent 2021: Recommendations	17
Global Talent 2021: Conclusion	19
Contact Us	20



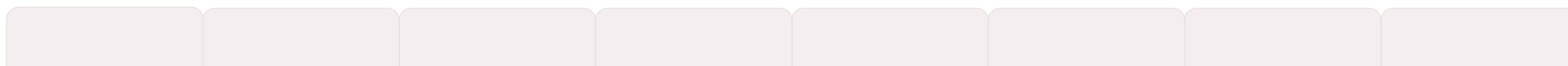
Preface

This study provides an overview of the global talent trends we have seen emerging in 2020 and anticipate will continue in 2021 and provides critical analysis and recommendations for the Life Sciences, Pharmaceutical, Biotech, Nanotech, Medical Technology and related sectors.

It is designed to:

- Help you build a global talent strategy
- Expand your talent pools
- Reduce your people-related costs
- Engage your global talent compliantly and reduce your risks
- Create a talent roadmap to scale quickly, and
- Enable you to continue to grow and compete globally.

We hope you find this study both interesting and informative.



Introduction

CEOs agree that having the right talent is the most critical factor for business growth. Those who manage their global talent the best, will be the most successful.

In 2020 we have seen greater recognition that Global Talent is a key component of global business success and we have witnessed:

- a big increase in globally remote and flexible working
- improvements in technology allowing more global & 'virtual' teams
- increased demand for specialist skills especially in digital roles
- an increasing war for talent and more organisations looking overseas to recruit
- a desire to grow and scale quickly
- a requirement to find smart ways to save costs

We are seeing:

- Shifts in Global Talent pools: with talent flows from Asia - especially China and India – surging, while populations in European countries are ageing and shrinking.
- An increase in the number of global locations that talent is selected and managed from. The world is getting smaller – in 1998, organisations managed talent from an average of 13 global locations; in 2020, this has increased to over 33 global locations.
- Technological advancements making it possible for organisations to source and reach qualified candidates anywhere in the world.

The global pandemic has made 2020 a very challenging year for many. In 2021, I recommend every organisation reviews its global talent strategies to manage the risks but also take advantage of the opportunities available.



Mark Abbs
Head of Global Mobility

At the heart of the changing talent landscape over the past decade is one inescapable constant – the shortage of talent. For many reasons, securing people with the right skills is not getting any easier.

Fortunately, the macro trends in talent set out in this study are leading organisations to seek new ways of engaging talent globally.

Why? The thinking is that you broaden your talent pool if you are willing to offer non-standard arrangements such as enabling people to commute from one country to another to work, allowing people to work from home overseas and short-term overseas secondments.

Recently I have seen UK employers engage people under a variety of arrangements across many different countries including France, Germany, Sweden, the US, South Africa, Australia, Sierra Leone, Kenya, and China.

So, all is well? Mostly, yes. However, using non-standard employment arrangements comes with complexity in the areas of tax, social security and payroll, and of course immigration and employment laws.

Life Sciences and pharmaceuticals are among the most heavily regulated industries in the world. For HR, a big part of the talent challenge in 2021 will also be getting compliance right when it comes to meeting the talent and employment objectives. We explore these, setting out our thoughts, experiences and the pitfalls.



Lee McIntyre-Hamilton
Global Mobility Partner

Why is talent such an issue for Life Sciences and Pharmaceutical organisations?

Securing the right talent has long been a key issue for organisations and this continues into the new decade. All indicators are that this issue is becoming increasingly critical in the Life Sciences & Pharmaceutical sectors. Organisations that are unable to find the right people at the right time are unlikely to succeed.

Finding talented experts has always been a priority for pharmaceutical and biotechnology companies. Today, access to a pool of skilled workers across all areas is mission-critical for growth. There is talent shortage and high competition for skills especially digital and artificial intelligence. The war for talent is a challenge in the sector.

Talent is vital to mission success but is a scarce resource, especially in sectors where specialist skills are required such as life sciences, pharmaceuticals and bio-technology. The effects of this can be seen every day, with organisations scouring the globe to find untapped sources of new talent.

The issue of talent is very firmly on the agenda of CEOs across these sectors. CEOs say that having the right talent is the most critical factor for business growth. Gone are the days when productive capacity could be created mainly by buying more and better machines. However, despite this recognition, many CEOs in the Life Sciences & Pharmaceutical sectors admit that they have difficulties attracting and retaining the right people.

According to Klaus Schwab, “There is growing evidence that we are entering the “age of Talentism” – an age when human talent displaces capital as the decisive competitive factor. ‘Talentism’ highlights the value of highly skilled talent in the context of the global war for talent” .

Looking internationally

The ‘war on talent’ has become truly global. Employers can no longer wholly rely on their regional or national markets to deliver people with the desired skills and experience. Nowadays, many employers in the Life Sciences & Pharmaceutical sectors need to look internationally to find the right people.

- “Talent, not technology, is the key to success in a digital future. We need to find an equilibrium between machines and people” World Economic Forum Annual Meeting.
- “Talent mobility drives economic growth. The global talent race heats up as countries and businesses compete for the best and brightest. A worldwide “war for talent” is being waged, and enterprises that manage their global talent pool well, are marching ahead”. World Economic Forum

The search for digital talent

Many organisations in the Life Sciences & Pharmaceutical sectors recognise they need to step- up digitally, but CEOs are concerned about the availability of digital talent – where to find it; and how to attract it especially from the technology sector.

2021: key challenges in the Life Sciences & Pharmaceutical sectors:

- Winning the war for talent
- Investment and the need to grow and add scale quickly
- The desire to find ways to reduce costs
- The increasing challenge to remain compliance

“

Talent mobility drives economic growth. The global talent race heats up as countries and businesses compete for the best and brightest. A worldwide “war for talent” is being waged, and enterprises that manage their global talent pool well, are marching ahead. World Economic Forum

Klaus Schwab, forum founder at the opening address of the World Economic Forum in Davos

Talent 2021: key trends in the Life Sciences & Pharmaceutical sectors

Against this backdrop we are seeing several trends:



Trend #1 - An increase in 'globally remote working' and 'agile working'

Work flexibility is becoming the norm - the challenge is how organisations can provide it. A recent Stanford study in China showed that letting employees work from home increased productivity and reduced turnover.

- Do you know where your employees are working?
- Is pressure mounting on your HR team to adopt an agile approach globally?
- Do you want to hire the best and the brightest anywhere in the world?

The global landscape following the COVID pandemic...

The changing landscape over 2020 has forced employers and employees to seek new ways of engaging in their work. Agile working globally is a way of working in which an employer empowers their employees to work globally, where, when and how they choose.

The global pandemic has led many to reassess what is important in to them – working to live; not living to work. As a result, individuals are re-evaluating what they need to do to achieve the best quality of life – do they want to move to a new area or even country, will their employer give them the flexibility they want to create the optimum work/life balance for them.

Work is now 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.

Lockdown proved that remote working can be an effective way to work. Globally agile approaches have become common with many organisations now embracing the globally agile concept.

Pressure is therefore mounting on HR to adopt an agile approach and we recommend every organisation reviews its globally agile working strategies now to create benefits both for them and their employees.

Employer benefits

- ✓ Competitive advantage and ability to grow quicker. We are seeing a big increase in employers using a globally remote working strategy as a way to expand faster;
- ✓ Faster sourcing of talent by attracting the best and the brightest by recruiting from anywhere in the world to help win the global war on talent. Technological advancements have made it possible for organisations to source and reach qualified candidates anywhere in the world;
- ✓ Reduction in costs e.g. an employee living in a different country may actually have lower employer costs such as social security taxes which can be achieved by taking advantage of available tax planning;
- ✓ A more sustainable estate with a reduction in office occupation and a reduction in employees' carbon footprint from reduced commuting;
- ✓ A more diverse workforce and increased cross-collaboration of teams and divisions. This makes the time together count and in many cases it maintains team cohesion.

Employee benefits

- ✓ More time for themselves and family through a reduction in commuting time;
- ✓ Opportunity to review living arrangements to work from a kitchen table or even better a lakeside villa or mountain retreat.
- ✓ Removal of geographical limitations. No visas. No need for them to move or their family. The spouse may have their own career or children are in local schools - so no disruption.
- ✓ Work globally – where, when and how they choose.



Trend #2 - Grow and scale quickly

'Globally remote executives' – a new phenomena!

There has been a big increase in the number of 'globally remote executives' - it is increasingly common to move the job to the employee rather than moving the employee to the job.

The Life Sciences & Pharmaceutical sectors continue to have a profound impact on our lives, creating a surge of investment to drive innovation and growth. Top talent is mission critical for growth—yet, recruiting the best is more challenging than ever before.

This increased funding in the sector is also leading to an increase in the number of start-ups, creating even more demand for existing talent.

With the additional pressure to grow and add scale quickly, we are seeing innovation in the sector on how to do this effectively, and at pace.

Case study 1 | Managing global talent to grow quickly

A life sciences organisation wanted to add scale and expand quickly. The global HQ is in Switzerland; the CEO lives in the UK; the CFO is in the US and the Chief Medical Officer lives in a small village in Norway and visits Switzerland about 20% of his time. Clinical specialists work on the ground across Europe. They went from start-up to \$2 Bn IPO in 2 years using this approach to manage their global talent.



Case study 2 | International expansion

A UK plc in the pharma sector offered a new CEO role to an America who lives in California. The CEO now spends about 40% of time in the UK and for the rest of their time will work remotely from their US home. This is an effective way to hire the best talent.



Case study 3 | Lifestyle change

A senior executive wanted to move to Portugal for lifestyle reasons. Her job is based in the UK so she now travels to the UK 1-2 days a week to meet her team and clients and then works remotely from Portugal for the rest of her time. By supporting this arrangement, the organisation retains a key talent.



Trend #3 More organisations 'looking overseas to hire talent'

With the war for talent intensifying, Life Sciences and Pharmaceutical companies are increasingly looking overseas to secure the right talent. In the last year alone, we have seen UK organisations employ people across countries including France, Germany, Sweden, the US, South Africa, Australia, Sierra Leone, Kenya and China.

Most of these overseas employees may never work in the UK (for any length of time at least) but will work remotely from their homes overseas.

Whilst overseas labour markets are an attractive source of talent, employing people outside of your home country can be complex. You may ask yourself:

- How do we pay the employee?
- Can we make the individual self-employed?
- 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?

Like many international employment scenarios, there are seldom quick answers and a few common misconceptions such as.

1) Self-employment is the obvious solution – we will put a consulting arrangement in place and pay the individual gross.

In some cases, this may indeed 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. An ill-considered ‘self-employment’ could have serious adverse consequences. For example, years in the future, employees could potentially claim that they were always really an employee and retrospectively claim entitlement to pensions and other employment related benefits.

Similarly, many countries have the equivalent of employment status rules when it comes to tax and could potentially end up owing years of back tax and social security.

There is also the general principle of whether engaging someone as being self-employed is ethically the right thing to do when, in substance, they are really employed i.e. they have a regular salary, no financial risk, regular paid holidays etc. and, potentially, perform the same role as others who are engaged as employees in other countries.

2) The location from where an employee is paid very rarely determines the country in which tax and social security is required

We previously encountered a scenario where the employee wanted to be paid from a certain country so he could pay tax there, rather than tax in the country in which he was living and working. Unfortunately, it's not that easy. If it was, we would all want to be paid from Bermuda or Dubai!

The taxation of employment income and tax withholding is normally driven by two things

- (i) the country in which the individual is resident and
- (ii) the country in which the individual is working.

For example, an employee resident working and paid in one country may be subject to tax in another country where they perform duties, even if they are non-resident in that country (though there are sometimes exemptions available). This is because it is the duties that trigger the tax charge rather than the location from which the employee is employed and paid. Conversely, you could have an individual who is resident in a country but performs some duties outside of that country. The country of residence would still normally want to tax the duties performed overseas. It's easy to see how double taxation arises.

3) Even though you may not have a registered presence in an overseas location, the act of engaging an employed or self-employed individual may create a “permanent establishment” for the home country organisation in that overseas location.

In very simple terms, this means that the home country organisation is deemed to be operating overseas for corporate tax and other corporate regulatory purposes. So, you could find the overseas authorities coming to you and demanding that you prepare an accounts register and file overseas. We worked on a case in Nepal where one employee triggered a whole host of corporate obligations for a UK-based organisation. This came as a big shock since the cost of setting-up and running the operation was almost as much as the individual's remuneration.



Trend #4 – Reverse of ‘shorter expat assignments’ (for now)

An increasingly globalised world needs internationally mobile employees and the number of employees working outside of their home country was soaring and growing rapidly. The global pandemic has put the brakes on this trend in the Pharmaceutical and Life Sciences sectors and many other global industries.

Whilst 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; for now, this approach has been dampened. However, the global landscape is changing rapidly and we expect the high demand for expat assignments by Life Sciences and Pharmaceutical organisations to return soon and with it, the challenges that must be carefully and proactively managed. Organisations that send employees, directors, consultants and contractors on an overseas assignments even for short periods of time may not realise that they have numerous tax obligations. The tax authorities do not accept misunderstanding the rules as a valid reason for getting it wrong, and penalties for compliance failures can be harsh.

Dispelling the myths is key to avoiding such penalties:

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

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

Myth #2 “No overseas employer” - if the individual is not employed overseas there are no tax issues in that location.

Wrong. There may be a tax obligation in the assignment location regardless of who the employer is. The overseas organisation might be regarded as the ‘host’ employer and required to withhold payroll taxes.

Myth #3 “Salary is not paid overseas” - the home organisation pays the salary so there are no tax issues in the assignment location to worry about.

Wrong. It does not normally matter who pays the employee’s salary, it may still be taxable in the assignment location.

Myth #4 “Non-resident directors” - provided directors live overseas they don’t have to worry about paying tax in the country where the organisation is based.

Wrong. In many countries, you are required to pay tax in the country where you hold the directorship, not necessarily where you are tax resident. This means the director may need to file a tax return and pay tax additionally in the country of the directorship and the employing organisation will usually be required to deduct payroll taxes from director remuneration including fees and report reimbursed travel and hotel expenses.

Myth #5 “Social security doesn’t matter” - there is no need to worry about social security taxes in the assignment location as they are insignificant.

Wrong. 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.

Myth #6 “Overseas pensions” - pension rules in the assignment location do not apply and are not an issue.

Wrong. In some countries, employer contributions might be treated as a taxable benefit. Employers may also have mandatory pension obligations in the overseas location.

Myth #7 “Benefits and expenses” - the employee is receiving offshore benefits and expenses but as they are paid outside the assignment location nothing needs to be reported.

Wrong. An employer may have an obligation to report taxable benefits and expenses regardless of where they are paid.

Myth #8 “Stock and share-related income” - the employer does not need to report stock options, RSUs, restricted shares or long-term incentives in the assignment location.

Wrong. It is common for tax to be due on part of the award in the overseas location. It is also common for employers to have a reporting requirement in the assignment location. Significant penalties can arise for failures in this area.

Myth #9 “Personal issues” - all tax problems are for the employee and not the employer.

Wrong. If the individual becomes chargeable for tax in the assignment location, then the employer will usually have a corresponding obligation to operate payroll and pay social security taxes. The employer must understand the role the employee is performing to avoid creating a Permanent Establishment for the organisation for the employer.

Myth #10 “Income tax, corporate tax and immigration” - income tax, corporate tax and immigration rules are separate.

Wrong. They need to be considered holistically. Looking at them separately may create issues with inconsistencies and inefficiencies.



Trend #5 - Increased use of a “Global Talent Network” by organisations

We saw a rapid increase in the use of a Global Talent Network by Life Sciences and Pharmaceutical organisations in 2019. This trend rapidly increased throughout 2020 with further developments in technology and an appreciation of what this global talent strategy can bring to the sectors.

Many businesses are benefitting from establishing a people strategy that attracts talent and increases competitiveness by building a Global Talent Network – a talent ecosystem including talent clusters around key cities. You can use this Talent Network to improve your global talent supply chain – making it the heart of your people strategy to attract the best.

Traditionally recruitment is organisation focused and assumes the candidate is looking for the role and will come to you. Now there is an increase in applicant focus and taking a job to the candidate. Organisations must therefore find ways to attract talent that might not be actively looking and offer an opportunity competitors cannot offer.

Your strategy should be to use your Global Talent Network as a rich pallet of approaches to ensure you have the right talent in the right place, at the right time. Each approach will have its benefits and drawbacks so effectively using this talent mix to solve your talent needs will maximise your effectiveness.

Talent strategy / mix

Don't just rely on one approach - use different approaches in different circumstances. Using a broader combination like this can provide a much more effective talent strategy to gain a competitive advantage and help you when going global, and grow much quicker:

- Maximise your talent pool
- Grow the organisation faster
- Fill talent gaps quicker

The Global Talent Network in the Life Sciences & Pharmaceutical sectors



Managing Global Talent 2021: The key risks for HR and employers in the Life Sciences & Pharmaceutical sector

We have seen so far that using non-standard employment arrangements to engage with talent is on the increase. There are significant benefits but also potentially more complexity.

The global pandemic has changed the way many of us work. Many employers in the Life Sciences and Pharmaceutical sectors are allowing their employees to work globally where, when and how they choose. With advances in technology and communications, it's never been easier for employers to adopt a globally agile work culture.

However, employees working outside their country of employment can unintentionally trigger employer reporting obligations. This 'hidden compliance' can catch out those employers who do not proactively manage these obligations.

"International Employees" can include:

- Employees working remotely from another country;
- Business travellers who work in another country usually for short business trips
- International commuters who live in one country and work in another
- Statutory directors who live overseas but visit their employer to attend board meetings etc in a different country

In all of these cases, there are likely to be income tax, payroll, social security and other employer compliance obligations. However, despite the risks they present, there is often unintended non-compliance across these areas of tax.

Why does it matter?

The problem with 'International Employees' is often the number of unknowns. When our clients approach us regarding an 'International Employee' related issue, it is normally because something has gone unexpectedly awry (e.g. someone has received a tax demand or they have had a payroll audit). This area can throw up some surprises.

If an organisation does not have sight of their 'International Employees', they will not know if they have:

- current unfulfilled payroll and tax compliance obligations; and
- historic financial exposure (underpaid income tax and social security) or the extent of this exposure. Tax authorities can often look back many tax years. When penalties and interest are included, the costs can soon spiral.

Despite this, 'International Employees' are often overlooked. There are, no doubt a multitude of reasons for this, including:

- Lack of visibility. It is often much harder to try and identify where an issue may be when it comes to 'International Employees', because, by their very nature they are 'hidden employees'. It is often only when there is some event (e.g. a tax authority audit) that the issue is raised
- Misunderstanding. Even where it is known that there may be a potential issue (e.g. it has been noticed that a lot of workers from overseas offices are in the building of late), it may not be seen as their responsibility to get involved
- Complexity/lack of clarity. Even if the 'International Employees' are identified, determining whether or not they create issues for an organisation can be tricky. The rules are not straightforward and are often nuanced. Of course, it is naturally difficult trying to justify spending time and cost on something which may or may not be an issue. It can also be difficult to convince colleagues that it is an issue worth considering

A real and significant risk

This is no theoretical risk. We have come across many examples (from minor to significant) of 'International Employee' issues coming to light, and often too late. For example: Where an employer does not fully understand the local rules applying to their 'International Employees' and decides that no action is required on account of the employee being employed and paid by an overseas organization; it can lead to tax audits, tax reviews and settlements of potentially large unpaid tax and social security.

We look at some of the key areas for Life Sciences & Pharmaceutical organisations to consider.

#1 - Tax, social security and payroll

Employers often ask what the best arrangements are to pay and employ the individual. Below, we set out the key steps and decisions in this regard.

1) Employed or self-employed?

You should first decide on how you will engage the individual – self-employed or employed. Confirm locally that the chosen ‘status’ of the individual will not lead to any future issues and to review the contract to make sure it is compliant with local law in the overseas territory. Despite the pressure of time, it is better to understand whether there are any problems now than wait until the arrangement has been signed and then try and back-track.

2) Corporate Tax

Review the corporate tax position in the host country to satisfy yourself that your new employee/self-employed individual won't create a permanent establishment in the host location for your UK based organization.

3) Employment Tax

Review the employment tax position to determine whether there are any tax withholding and/or social security obligations in which location(s). The position in this regard will, to some extent, be driven by the results of Steps 1 and 2 above.

4) Payroll

Set-up a payroll arrangement which enables you to fulfil your obligations in the relevant countries. Help the employee settle local tax correctly, where you are not required to operate a payroll. Also are there any negative cash flow issues you need to manage?

5) Review

Keep the position under review. The rules in the overseas territory (as well as your operational modus operandi) may change.

Up-front investment in the process and considering these points carefully can save much time, cost and effort later down the line. Quick fix solutions may seem attractive but are often a false economy and the negative effects of getting it wrong can be substantial (e.g. tax authority enquiries, upset employees, financial penalties, unexpected bills etc.). With some work, you can establish a framework in many countries which is robust, compliant and as cost effective as possible.

“

Employers often ask what the best arrangements are to pay and employ the individual.



#2 - Employment law

When employers have employees working outside the employers' home country, employment law becomes a key consideration. The most straightforward way of reducing risk in this regard is by ensuring that the employee's employment contract is compliant in the countries in which they are living and working.

- **Mandatory employment laws:** for example, these may relate to employee rights, rules on dismissal, hours of work or maternity benefits. Typically, employment laws will be 'mandatory' and will often apply to employees working in a country regardless of the terms of a contract. For example, as a 'rule of thumb' English unfair dismissal laws apply to people who work in England but there are exceptions.
- **Jurisdiction:** a Court or Tribunal will have 'jurisdiction' when it is able to hear claims. More than one country's courts could potentially have jurisdiction. A Court might also have jurisdiction to hear a claim related to another jurisdiction's 'governing laws', so for example a French Court could be asked to consider the impact of an employment contract governed by English law. In an employment context jurisdiction is often not a matter of choice for the employer.
- **Governing laws:** which laws apply to the employment relationship? The law of the country in which the employer is based? The laws where the employee is based if different? Or perhaps the laws of a third country? What happens where the law of more than one country applies – which takes precedence in a dispute? These are easy questions to ask, the answers may be more problematic.
- The governing laws for an employment contract, broadly, set rules that are used for the interpretation of the contract. In the EU, and many other jurisdictions for instance, this is a matter of choice for the employer and employee. It is important to understand that the choice of governing laws may have an impact on whether 'mandatory' employment laws apply and on which Courts have 'jurisdiction' to hear claims.

Generally, it is helpful to agree which country's laws the contract will be governed by as a starting point. It is also often convenient if the chosen governing laws align with the jurisdictions where claims are likely to be heard. For example, in the case of an employee who is resident and working in France, it is likely to be easier for a French Court to make decisions if the French Court is considering a contract governed by French Law.

“

It is very important when managing global talent therefore to understand what legal obligations you must meet in respect of your global employees, and in which countries. Make sure you know which legal jurisdiction(s) and laws will apply so you can proactively manage these. Seek advice early in those countries and don't assume that only the rules and regulations in your home country will apply to your overseas based employees. It is likely to be more complex than that.



#3 - Immigration

We have come across several examples where individuals working overseas for a UK employer do not have the required residence and work permits.

In one case, an individual was working in a territory on a tourist visa. In another, the individuals work permit had expired. Indeed, there are some cases where the matter of immigration has simply not been considered by the employer.

Whenever we are considering international employment arrangements, one of the first things we ask HR to do is verify well in advance of considering tax and setting-up payroll, the visa status. Organisations should consider the “right to work” of the individual overseas in the same way as they would consider the right to work status of any individual taking-up employment in the UK.

In simple terms, you want to avoid the position whereby you are supporting the employment of an individual who may be working in a country illegally. At the very least, this could well lead to the employment being curtailed unexpectedly. At worst, criminal and financial sanctions could be imposed on the employee in the overseas country and, where they have jurisdiction, there could be severe employer implications too.

There is also the reputational angle to consider. With immigration becoming an increasingly contentious and public issue, organisation’s need to avoid adverse publicity in this regard.

Finally, one area that often creates confusion is the interaction between tax and immigration rules. Whilst some countries do have linkages between immigration and self-employment, they are often very separate areas.

So, if someone is on an incorrect work permit or does not hold a work permit, this does not normally mean a tax liability and payroll obligation can also be avoided. That is, illegal working is still normally treated as taxable work!

“

One area that creates confusion is the interaction between tax and immigration rules. While some countries do have linkages, they are often very separate areas.



Global Talent 2021: Case studies

An Oxford-based technology company

This Oxford-based company develops innovative biosensor technology and products. Their main product is a universal healthcare diagnostic - a portable, handheld device capable of taking a drop of blood and testing for a panel of biomarkers quickly, cheaply, and accurately. It could decentralise diagnostics, allowing anyone, anywhere, at any time, to test for health markers of interest, and therein dramatically improve healthcare access, outcomes and costs.

Developing this product requires a huge amount of specialist talent. Our client recognised that they would not be able to secure this talent entirely from the UK market, so they looked, and continue to look, globally to secure talent.

As part of their global recruitment drive, the business relocated its talent from overseas to work in their Oxford Lab, recognising that relocating from one country to another is a significant upheaval for new recruits.

To support international recruitment, they offer international recruits an up-front review of their tax and social security position and a briefing with tax specialists. This includes working out what the employees net salary will be and setting out the impact for them of their relocation to the UK. Beyond this, our client also provide international recruits with other professional support, such as house hunting, assistance in moving household goods from one country to another and helping employees find a UK school for their children.

This is a great example of a company using specialist support to attract people to relocate to the UK.

An independent review of a Global Strategy

We were asked by an international organisation to perform an end-to-end review of how they manage their globally mobile executive (including international assignments, business travellers, commuters and remote workers). We were not their tax advisor so we could take an independent and honest approach.

We were asked to assist with the following key objectives:

- Understanding - improving knowledge of the processes and technical aspects and ensuring relevant HR and payroll individuals are trained in the basics;

- Responsibility - identify roles and allocate responsibilities/ ownership with clarity on who does 'what' and 'when'? View the process holistically and how each part aligns and interacts;
- Freshen up policies - update old policies making them fit for purpose. Standardise these and fill any policy gaps;
- Best practice - identify external best practice and review if the company is doing things right and make sure it is using best practice.

Our report highlighted areas of good practice as well as areas where there was some risk and inefficiencies. We highlighted some "quick" wins - small changes and better processes. The report was presented to the Board by the head of function to facilitate discussion on the bigger changes that needed to be made to bring the function in line with the changing business structure. Various stakeholders in HR and payroll were then trained on the process and technical basics.

What are the benefits of a Global Talent review?

1. **Costs** - better understanding of your costs by:
 - a. implementing cost and budgeting tools
 - b. identifying cost savings
2. **Effectiveness** - understanding the effectiveness of your existing arrangements
3. **Compliance** - reviewing your employer compliance and payroll reporting to identify possible issues
4. **Policies**
 - a. Develop, review and clearly document assignment policies
 - b. Communicate and explain these policies to key stakeholders
 - c. Introduce best practice and fresh ideas
5. **Employee experience**
 - a. Measure the satisfaction of your global talent population
 - b. Achieve consistency in the 'employee experience'
6. **Roles and responsibilities**
 - a. Clearly define roles and responsibilities
 - b. Map key activities in the assignment lifecycle to provide clear ownership of activities
7. **Business stakeholders**
 - a. Review how your global talent can better support your business strategy
 - b. Review the perceptions of the business
8. **Benchmark** - your performance against other organisations

Global Talent 2021: Recommendations

Building a globally remote and flexible working policy

When reviewing or building a flexible working policy it helps to seek out best practice and learn from those who have done this before – both their mistakes and triumphs. This will help you mitigate the risks and ensure you are maximising opportunities. Make sure your strategy includes how to attract the best talent, building a Global Talent Network and a roadmap to success. You can use this policy to improve your global talent supply chain.

Consider:

- embracing globally remote working and flexible working
- looking overseas to hire talent and expand your global talent pool
- how to be tax and legally compliant

Challenges to a flexible working policy

While many jobs are computer based and therefore easier to carry out remotely, some are not. It's harder to be a doctor, bank manager or chef working remotely so it won't work in all situations. Understanding the types of roles you have across your organisation is pivotal to creating the right policy for you. As is a thorough understanding of your corporate culture and how it will come to life or need to adapt in a more flexible working world.

It is worth remembering that it not only takes the right technology to manage a virtual team but also takes very different skills. Your talent will need to feel well equipped to handle the changes and be able to effectively communicate with their colleagues. Don't forget that isolation and increasingly blurred boundaries between home and work can feel unhealthy for some people and you should consider this.

For HR, a large part of the challenge is remaining compliant when meeting this new way of working, not least from a tax perspective.

#1 Where should you employ the individual?

It doesn't usually matter where you are employed from a tax perspective. Your country of employment can, however, have an impact on where social security taxes are paid and requires some planning – for example France is more expensive to employ someone in than some other European countries.

#2 Where to pay the employee?

You usually pay tax in the country where you work not where you are employed or paid. You should therefore consider effective payroll planning and be clear where would be best to pay the employee.

#3 What role will the employee perform, and where?

This is important from a corporate tax perspective – you do not want to accidentally create a Permanent Establishment or corporate residence in the country where the employee lives.

#4 What is the tax treatment of employee incentives and retirement provision?

There might ways to structure compensation in a tax efficient manner so consider possible tax planning. Make sure you understand the treatment of retirement arrangements and long-term incentives such as stock options. There may be differences between the country of employment and the country the employee lives in.

Review your global talent strategy

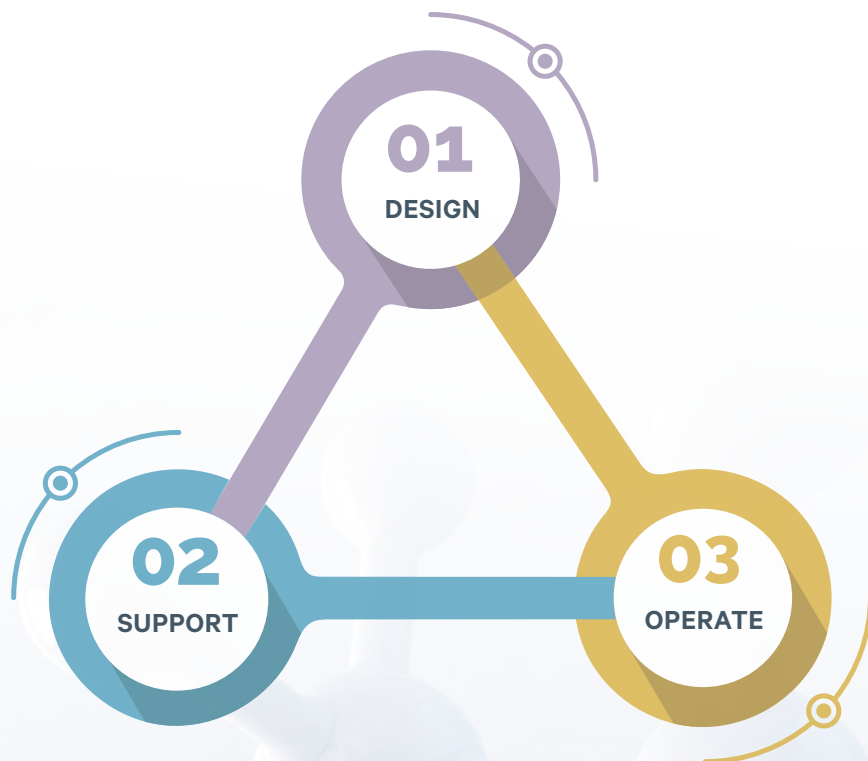
Those that manage their Global Talent pool the best will win. We recommend every Organisation therefore reviews its global talent strategy to:

- Create a roadmap to success
- Use a Global Talent Network to expand your talent mix
- Engage globally remote workers and flexible working
- Look overseas to hire talent and expand your global talent pool
- Engage compliantly – make a complex situation more straightforward

Keep it simple but compliant. Life Sciences and Pharmaceuticals are among the most heavily regulated in the world and so require good processes and procedures.

Find an adviser that can support you with all parts of the Global Talent Network. This is not just a payroll question, nor is it just a tax or legal question. It is all three, so take a holistic view.

This will help keep it simple, but compliant.



1. Design the appropriate employing structure:

- Where to live and work?
- Where to employee?
- Where to pay?
- Where to employ?

2. Operate the employing structure compliantly and efficiently:

- Where to report and pay taxes?
- Which laws apply?

3. Support for you and your employee - think holistically:

- What employer support do you need?
- What support does the employee need?

A life in the sun?

Barbados is now planning to let people stay and work remotely for a year – a 12-month “Barbados Welcome Stamp.” Barbados Prime Minister Mia Mottley said in a recent speech “You don’t need to work in Europe, or the U.S. or Latin America if you can come here and work for a couple months at a time; go back and come back,”

It is expected that this type of working remotely will become commonplace. The global landscape is certainly changing and that brings many benefits, provided risks are proactively managed.



Global Talent 2021: A Competitive Advantage

Establishing superior global talent management can give organisations in the life sciences and pharmaceutical sector a big competitive advantage that allows them grow and scale quickly.

Global mobility can help organisations with these key areas:

1. Talent acquisition – helps grow your global talent pool and attract key talent across the globe. Fill vacancies quickly and efficiently.
2. Talent development – provides development opportunities and ways to gain key skills and experience.
3. Talent engagement – have a positive impact on the employee experience.
4. Talent retention – reduce turnover and increase employee satisfaction. Strengthen your future leadership pipeline.

Blick Rothenberg, life sciences and global people issues

Life sciences are a key specialism for Blick Rothenberg. Our team offers in-depth knowledge of the compliance and global talent challenges facing organisations in the life sciences sector. We work with many start-up and venture-backed enterprises, as well as established small and mid-size organisations, regarding their people-related issues and our work reflects the full diversity of the life sciences sector.

Our clients work in a variety of sectors, including biotechnology, life sciences, medical technology, and devices, pharmaceutical, healthcare and nanotechnology.

Awarding winning team and exceptional support

We have won many tax industry awards and will provide you with tailored and personal support; we are highly regulated and can offer advice that is genuinely independent. We will provide you with expert insight for growing your life sciences organisation.

“

2020 was a difficult year for many. Having the right talent will be a critical factor in 2021. Those who manage their global talent the best will be the most successful.

How we can help

We help our Life Sciences clients to: grow quickly; scale-up; manage pre-IPO and post-IPO People issues; and expand into new territories.

We will help you win in the global war for talent in the life sciences sector. Our multi-disciplinary team can draw upon their deep commercial experience from across the sector to help ensure your business can not only survive the current crisis, but also thrive when it's over.

We successfully support both UK and international organisations. We have a strong international presence – and can advise you anywhere. We are where you are.

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 with one of the contacts below.



Mark Abbs

Head of Global Mobility

T +44 (0)20 7544 8744

E mark.abbs@Blickrothenberg.com



Lee McIntyre-Hamilton

Global Mobility Partner

T +44 (0)20 7544 8770

E lee.hamilton@Blickrothenberg.com

16 Great Queen Street
Covent Garden
London WC2B 5AH

T +44 (0)20 7486 0111

E email@blickrothenberg.com

W blickrothenberg.com

🐦 [@BlickRothenberg](https://twitter.com/BlickRothenberg)

in [Blick Rothenberg](https://www.linkedin.com/company/Blick-Rothenberg)

© December 2020. Blick Rothenberg Limited. All rights reserved. While we have taken every care to ensure that the information in this publication is correct, it has been prepared for general information purposes only for clients and contacts of Blick Rothenberg and is not intended to amount to advice on which you should rely. Blick Rothenberg Audit LLP is authorised and regulated by the Financial Conduct Authority to carry on investment business and consumer credit related activity.

Independent
Member of **B K R**
INTERNATIONAL

Contact Us